

SDI Group plc

("SDI", the "Company", or the "Group")

Interim results for the six months ended 31 October 2024

Refined strategy progressing, improved cash generation and order intake

5 December 2024 - [SDI Group plc](#), the buy and build group, focused on companies which design and manufacture specialist lab equipment, industrial & scientific sensors and industrial & scientific products, announces its interim results for the six months to 31 October 2024.

Operational and Strategic highlights

- Progress against the refined strategy articulated at the full year results
- Value-enhancing acquisition of InspecVision Limited
- Continued focus on collaboration between the portfolio businesses and driving synergies across the Group
- Strengthened senior management team in place to support delivery of sustainable long-term growth
- Increased activity towards the end of the half, following the previously reported slower start to the financial year. Positive momentum continuing into H2 FY25

Financial summary

- Revenues of £30.9m (H1 FY24: £32.2m) reflecting reduced activity in the life sciences and biomedical markets
- Gross margins (on materials only) improved to 65.4% (H1 FY24: 63.0%)
- Adjusted operating profit* of £3.9m (H1 FY24: £4.4m) and reported operating profit of £2.4m (H1 FY24: £3.4m)
- Adjusted profit before tax* of £3.2m (H1 FY24: £3.7m) and reported profit before tax of £1.7m (H1 FY24: £2.7m)
- Adjusted diluted EPS* of 2.37p (H1 FY24: 2.68p) and reported diluted EPS of 1.18p (H1 FY24: 1.89p)
- Cash generated from operations increased to £4.7m (H1 FY24: £3.3m)

Outlook

- Order intake significantly up on a like for like basis compared to the second half of FY24
- Full year profits are expected to be in line with market expectations** with increased second half weighting versus prior year supported by an improved orderbook. Challenging conditions in the life sciences and biomedical markets have impacted sales in the lab equipment segment over the first half, leading to lower expected Group revenues for FY25, which has been offset by improved gross margins and cost efficiencies
- Acquisition pipeline provides potential for further acquisitions in FY25
- The Group is well placed for the future growth

Stephen Brown, Chief Executive Officer of SDI Group, said:

"Whilst conditions in the life sciences and biomedical markets were challenging in early H1, we have seen improvements from September onwards. Our diverse portfolio has delivered stronger performances in some other sectors. The technological prowess and capabilities of the businesses within our portfolio cannot be understated, and there remains a huge market opportunity to further expand our community of entrepreneurial businesses.

To that end, we were pleased to complete the acquisition of InspecVision Limited during the period and we continue to drive our active M&A pipeline to expand our portfolio across key markets. We continue to target established businesses in growth sector niches, whilst also delivering our strategy to drive organic growth across our portfolio businesses."

A presentation for investors and shareholders via the Investor Meet Company platform will be held today on Thursday, 5 December 2024 at 2.00 p.m. GMT. Investors can register for the presentation via the following link: <https://www.investormeetcompany.com/sdi-group-plc/register-investor>

A copy of the shareholder presentation will also be made available on the Company's website www.sdigroup.com/investors/reports-presentations/ later today.

** Before share based payments, acquisition costs, reorganisation costs, divestment of subsidiary undertaking (in FY24) and amortisation of acquired intangible assets.*

*** Analysts from SDI's broker Cavendish Capital Markets Limited and from Progressive Equity Research regularly provide research on the Company, accessible from our website, and the Group considers the average of their forecasts to represent market expectations. Prior to this announcement, FY25 expectations were Revenue of £70.45m, Adjusted Operating Profit of £10.0m and Adjusted Profit Before Tax of £8.4m.*

Enquiries

SDI Group plc

Stephen Brown, CEO

Ami Sharma, CFO

www.sdigroup.com

+44 (0)1223 727144

Cavendish Capital Markets Limited

Ed Frisby/Seamus Fricker – Corporate Finance

Andrew Burdis/Sunila de Silva – ECM

+44 (0)20 7220 0500

Vigo Consulting (Financial Communications)

Tim McCall/Rozi Morris/Fiona Hetherington

+44 (0)20 7390 0230

SDIGroup@vigoconsulting.com

About SDI Group plc

SDI Group plc is a group of small to medium size companies with specialist industrial and scientific products in growth sector niches which help solve customers' key challenges.

It specialises in the acquisition and development of companies that design and manufacture specialist products for use in lab equipment, industrial & scientific sensors and industrial & scientific products.

Its portfolio of businesses supplies the life sciences, healthcare, plastics and packaging, manufacturing, precision optics and measurement instrumentation markets.

SDI aims to continue its growth through driving the organic growth of its portfolio companies and by the acquisition of complementary technology businesses with established reputations in global markets.

For more information, please see: www.SDIGroup.com

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chief Executive Officer's statement

A year into my tenure at SDI, the Group's future prospects are as strong as ever. SDI has a range of high-quality businesses, many of which are in high growth niche segments, and we are building towards a return to organic growth alongside greater collaboration between the portfolio companies. Simultaneously, as detailed in our refined strategy announced at the full year results, we are seeking to drive inorganic growth through targeted acquisitions.

Whilst the macroeconomic backdrop has remained challenging for a number of businesses, particularly early in the financial year, the breadth of our portfolio has ensured that whilst some businesses have experienced a temporary slowdown in trading environments, that has been partially offset with stronger performances in some other sectors.

As outlined at the year-end, we completed our strategic review in May and prioritised two key areas to support our long-term growth objectives - growth initiatives for the portfolio businesses (organic growth) and value-enhancing acquisitions (inorganic growth).

Our organic growth strategy is underpinned by three pillars: continuous product innovation; operational capability and capacity; and expansion into new geographic markets. As our customer and product base grows, we aim to increase repeat and recurring revenue streams through service, support, upgrades and replacements.

The acquisition strategy leverages our management expertise, financial discipline and stringent criteria to identify targets that accelerate overall growth and diversification. This approach strengthens our presence in existing markets and positions us for strategic entry into new ones.

From an organic growth perspective, we have made progress in actively fostering synergies between portfolio companies operating in overlapping markets and/or offering similar products. The senior management at Safelab Systems ('Safelab') and Monmouth Scientific ('Monmouth') have been combined, and the two individual businesses are now working closely together. Furthermore, businesses within the laboratory equipment segment are increasingly engaging in white-label partnerships to secure larger contracts.

In October, six SDI businesses presented from a single stand at UK Lab Innovations, the UK's leading laboratory industry trade show, with excellent feedback from staff and visitors alike. We look forward to further leveraging the strength of the entire portfolio and identifying further opportunities to drive synergies and raise the profile of the Group.

During the period, regular events have been introduced to bring together the leadership teams of all our portfolio businesses to foster greater collaboration and share best practice, with the most recent leadership meeting taking place at the end of November to reinforce strategy and ensure all businesses remain on track.

In the first half of the year, we resized two businesses within the portfolio, restructuring Atik Cameras ('Atik') to normalise its cost base and, following a decision to refocus its US sales strategy and route to market, closing Synoptics' US office.

SDI continues to invest in research and development ('R&D') across the Group to meet customer demand. R&D expenditure amounted to £0.9m in H1 FY25, with investments made at Chell Instruments (to produce new pressure scanner products including the DAQ range expansion) and Applied Thermal Controls (to produce a new range of chillers). Atik, Synoptics and LTE Scientific have also launched new products as we continue to invest in product development.

Acquisition

At the end of October, the Group announced the acquisition of 100% of the share capital of InspecVision Limited, ("InspecVision"), a designer and manufacturer of high-accuracy vision-based measurement systems for industrial applications, for a net consideration of £6.1m. InspecVision is a high-quality, profitable business, which fulfils our key investment criteria of trading in a growth sector, with international exposure (particularly in the US), a strong management team and broadening the Group's overall presence into new applied markets.

InspecVision provides precision measurement machinery for smart manufacturing, automated inspection and reverse engineering and offers the Group an entrance into the high value metrology market and a global, blue chip customer base. The acquisition also introduces new technological capabilities to the Group, including AI and machine learning, alongside strong IP, which can be leveraged.

Its strong US market presence also provides a platform to deliver additional value to other Group portfolio companies, particularly through cross-selling synergies and opening up new routes to market.

The gross consideration for the acquisition was £8.67m and consisted of consideration payable immediately following completion of £8.17m with a further £0.5m due post period end. The total consideration includes £0.2m of acquired cash and £2.4m of loans to the acquired company by the sellers. £0.75m of these loans were settled through the receipt of a cash payment. The acquisition was funded from the Group's revolving credit facility with HSBC UK Bank ('HSBC').

InspecVision products are sold in over 30 countries worldwide. It employs 14 people and is based in a 20,400 sq ft. site in Newtonabbey, Northern Ireland. InspecVision joins our Industrial & Scientific Products segment and will be operated separately from our existing businesses. We are excited by the prospects for this acquisition and continue to pursue our acquisitive growth strategy alongside our organic growth programme.

Financials and segment breakdown

Group revenues reduced by 4.0% to £30.9m (H1 FY24: £32.2m). The decrease was largely attributable to a £2.2m reduction in sales in the Lab Equipment segment. Organic revenue decline across the Group was 5.7%. The Group's like for like order intake over the first half improved significantly over the second half of the last financial year.

Revenues in Industrial & Scientific Products were 0.3% higher at £11.7m (H1 FY24: £11.6m). Atik Cameras had a strong first half with excellent order intake and profit growth, after a full period of trading with its largest OEM customer. Scientific Vacuum Systems ('SVS') saw a lower first half than last year due to the comparative period including the delivery of a sputtering system. SVS continues to execute on two large projects, so its revenues will be more evenly split this financial year. Fraser Anti-Static Techniques saw strong year on year revenue growth as its geographic markets started to recover. Graticules Optics delivered a strong first half with increased demand for its reticles and TEM grid products.

Sales in Industrial & Scientific Sensors increased by 10.7% to £8.4m (H1 FY24: £7.6m). On an organic basis, revenues declined by 4.5% because of lower product sales at Astles Control Systems. This was due to an expected post COVID reduction in demand for its chemical dosing systems.

Laboratory Equipment revenues reduced by 16.5% to £10.9m (H1 FY24: £13.0m) due to challenging trading conditions earlier in the year, which impacted all the businesses in this segment. The closure of Synoptics' US office, Synoptics Inc., resulted in some restructuring charges. The organic reduction was 12.0% after excluding the FY24 divestment of Uniform Engineering and closure of Synoptics Inc. Safelab encountered customer driven delays on executing a large fume cupboard order which has pushed revenues into the second half. Safelab's order book remains robust. Monmouth's order intake has started to improve over recent months, and its performance is expected to improve further over the second half of the year.

Profits

Gross margins (on materials only) improved to 65.4% (H1 FY24: 63.0%), which was encouraging, as the Group sought to pass on cost increases and maintain margin discipline. Overheads and wages growth was in line with inflation when excluding acquisitions and disposals/closures.

In addition to the performance measures defined under IFRS, the Group also provides adjusted results in which certain one-time and non-cash charges are excluded, to help shareholders understand the underlying operating performance. These adjustments totalled £1.5m (H1 FY24: £1.0m).

Adjusted Group profit before tax decreased to £3.2m (H1 FY24: £3.7m). Statutory Group profit before tax decreased to £1.7m (H1 FY24: £2.7m).

Our effective tax rate has increased to 26.8% (on statutory PBT) (H1 FY24: 24.9%) following the changes to the R&D credit regime this financial year.

Basic earnings per share reduced to 1.19p (H1 FY24: 1.92p); diluted earnings per share decreased to 1.18p (H1 FY24: 1.89p). Adjusted diluted earnings per share reduced to 2.37p (H1 FY24: 2.68p).

Cash flow

Cash generated from operations increased to £4.7m (H1 FY24: £3.3m) which was a pleasing performance. Working capital was flat over the period due to a £2.1m reduction in trade and other receivables offset by a £1.7m reduction in trade and other payables. Inventories increased by £0.4m over the half. Customer advances were £2.0m at the period end (H1 FY24: £2.2m).

The InspecVision acquisition costs were £6.4m total cash consideration, with £750k in loans repaid immediately following the close of the transaction. This represents a net cash outflow of £5.6m.

Net debt, or bank debt less cash, increased to £17.1m at 31 October 2024 compared to £13.2m at 30 April 2024 and 31 October 2023, following the acquisition of InspecVision just prior to the period end, which added £5.7m in additional borrowings. This represents a net debt: EBITDA ratio of 1.43x (rolling last 12 months calculation basis). At 31 October 2024, the Group had £6.7m of headroom within its £25m committed loan facility with HSBC. A £5m accordion option remains available to the Group (at the discretion of HSBC) for future exercise.

The Group has sufficient access to funds, alongside its cash flow, to acquire new companies and invest in our current portfolio of businesses.

Outlook

Whilst conditions in the life sciences and biomedical markets (in particular) were challenging in the early part of the financial year, we have seen most markets improving as the year has progressed, with increased order intake during the first half and increased sales later in the half. We remain on track to meet market expectations* for profits, with an increased second half weighting supported by an improved orderbook. The impact on sales in the lab equipment segment over the first half has now led to lower expected Group revenues for FY25, which has been offset by improved gross margins and cost efficiencies.

There remains a huge market opportunity for the offering of our diverse but complementary portfolio of businesses, particularly around enabling efficiency and sustainability across science and industry. There is also a real opportunity to further expand our community of entrepreneurial leaders that sit within the businesses in our Group.

Alongside the focus on delivering our strategy to support organic growth across our portfolio businesses, we continue to drive our inorganic strategy, underpinned by a proven track record of delivering value-enhancing acquisitions. These efforts combine to strengthen the SDI proposition and deliver our long term growth objectives.

Stephen Brown, Chief Executive Officer
4 December 2024

** Analysts from SDI's broker Cavendish Capital Markets Limited, and from Progressive Equity Research regularly provide research on the Company, accessible from our website, and the Group considers the average of their forecasts to represent market expectations. Prior to this announcement, FY25 expectations were Revenue of £70.45m, Adjusted Operating Profit of £10.0m and Adjusted Profit Before Tax of £8.4m.*

Consolidated income statement

Unaudited for the six months ended 31 October 2024

	Note	6 months to 31 October 2024 Unaudited £'000	*Restated 6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Revenue		30,911	32,215	65,846
Other income		150	59	104
Operating costs	5	(28,627)	(28,865)	(58,660)
Operating profit		2,434	3,409	7,290
Net financing expense		(738)	(754)	(1,627)
Profit before taxation		1,696	2,655	5,663
Income tax charge	8	(454)	(662)	(1,409)
Profit for the period		1,242	1,993	4,254
Attributable to:				
Equity holders of the parent company		1,214	1,978	4,231
Non-controlling interest		28	15	23
Profit for the period		1,242	1,993	4,254
Earnings per share	6			
Basic earnings per share		1.19p	1.92p	4.09p
Diluted earnings per share		1.18p	1.89p	4.04p

*see note 5

Consolidated statement of comprehensive income

Unaudited at 31 October 2024

	6 months to 31 October 2024 Unaudited £'000	6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Profit for the period	1,242	1,993	4,254
Other comprehensive income			
<i>Items that will subsequently be reclassified to profit and loss:</i>			
<i>Exchange differences on translating foreign operations</i>	(81)	(4)	(38)
Total comprehensive profit for the period	1,161	1,989	4,216
Attributable to:			
Equity holders of the parent company	1,133	1,974	4,193
Non-controlling interest	28	15	23
Total comprehensive profit for the period	1,161	1,989	4,216

Consolidated balance sheet
Unaudited at 31 October 2024

	31 October 2024 Unaudited £'000	*Restated 31 October 2023 Unaudited £'000	30 April 2024 Audited £'000
Note			
Assets			
Non-current assets			
Intangible assets	47,217	40,584	42,040
Property, plant and equipment	8,311	8,200	8,219
Right-of-use leased assets	6,342	6,430	6,488
Investments in associated undertakings	-	24	-
Deferred tax asset	10 142	147	144
	62,012	55,385	56,891
Current assets			
Inventories	11,629	11,937	10,577
Trade and other receivables	11,205	10,086	12,677
Corporation tax asset	292	495	87
Cash and cash equivalents	1,195	1,546	1,430
	24,321	24,064	24,771
Total assets	86,333	79,449	81,662
Non-current liabilities			
Borrowings	7 (24,173)	(20,739)	(20,636)
Provisions	(235)	-	(245)
Deferred tax liability	10 (5,595)	(4,604)	(4,841)
	(30,003)	(25,343)	(25,722)
Current liabilities			
Trade and other payables	(8,584)	(9,768)	(9,647)
Provisions	(53)	(77)	(22)
Borrowings	7 (953)	(780)	(841)
	(9,590)	(10,625)	(10,510)
Total liabilities	(39,593)	(35,968)	(36,232)
Net assets	46,740	43,481	45,430
Equity			
Share capital	1,046	1,041	1,046
Merger reserve	2,606	2,606	2,606
Merger relief reserve	424	424	424
Share premium account	10,858	10,778	10,858
Share-based payment reserve	914	757	764
Foreign exchange reserve	61	177	143
Retained earnings	30,789	27,651	29,575
Total equity due to shareholders	46,698	43,434	45,416
Non-controlling interest	42	47	14
Total equity	46,740	43,481	45,430

*see note 10

Consolidated statement of cash flows

Unaudited for the six months ended 31 October 2024

Note	6 months to 31 October 2024 Unaudited £'000	6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Operating activities			
Profit for the year	1,242	1,993	4,254
Depreciation	1,017	1,007	2,021
Amortisation	1,030	998	1,963
Finance costs and income	738	754	1,627
Increase/(decrease) in provisions	21	10	(15)
Taxation in the income statement	454	662	1,409
Employee share-based payments	150	200	128
Operating cash flows before movement in working capital	4,652	5,624	11,387
(Increase)/decrease in inventories	(414)	1,567	3,343
Decrease/(increase) in trade and other receivables	2,128	1,894	(92)
Decrease in trade and other payables	(1,685)	(5,770)	(5,252)
Cash generated from operations	4,681	3,315	9,386
Interest paid	(738)	(754)	(1,627)
Income taxes paid	(912)	(1,413)	(1,925)
Cash generated from operating activities	3,031	1,148	5,834
Investing activities			
Capital expenditure on fixed assets	(589)	(556)	(966)
Sale of property, plant and equipment	50	20	144
Expenditure on development and other intangibles	(321)	(232)	(820)
Payment of deferred consideration	-	-	(961)
Proceeds from loan settlement	750	-	-
Acquisition of subsidiaries, net of cash	(6,393)	-	(2,386)
Net cash used in investing activities	(6,503)	(768)	(4,989)
Financing activities			
Finance leases repayments	(357)	(384)	(796)
Dividends paid to non-controlling interests in subsidiaries	-	-	(41)
Proceeds from bank borrowing	6,925	-	3,700
Repayment of borrowings	(3,250)	(1,250)	(5,100)
Issues of shares and proceeds from option exercise	-	-	85
Net cash from/(used in) financing	3,318	(1,634)	(2,152)
Net changes in cash and cash equivalents	(154)	(1,254)	(1,307)
Cash and cash equivalents, beginning of period	1,430	2,711	2,711
Foreign currency movements on cash balances	(81)	89	26
Cash and cash equivalents, end of period	1,195	1,546	1,430

Consolidated statement of changes in equity

Unaudited for the six months ended 31 October 2024

6 months to 31 October 2024 – unaudited	Share capital £'000	Merger reserve £'000	Merger relief reserve £'000	Foreign exchange £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity due to shareholders £'000	Non- controlling interest £'000	Total £'000
Balance at 30 April 2024	1,046	2,606	424	143	10,858	764	29,575	45,416	14	45,430
Share based payments	-	-	-	-	-	150	-	150	-	150
Transactions with owners	-	-	-	-	-	150	-	150	-	150
Profit for the period	-	-	-	-	-	-	1,214	1,214	28	1,242
Foreign exchange on consolidation of subsidiaries	-	-	-	(82)	-	-	-	(82)	-	(82)
Total comprehensive income for the period	-	-	-	(82)	-	-	1,214	1,132	28	1,160
Balance at 31 October 2024	1,046	2,606	424	61	10,858	914	30,789	46,698	42	46,740

6 months to 31 October 2023 – unaudited	Share capital £'000	Merger reserve £'000	Merger relief reserve £'000	Foreign exchange £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity due to shareholders £'000	Non- controlling interest £'000	Total £'000
Balance at 30 April 2023	1,041	2,606	424	181	10,778	557	25,673	41,260	32	41,292
Share based payments	-	-	-	-	-	200	-	200	-	200
Transactions with owners	-	-	-	-	-	200	-	200	-	200
Profit for the period	-	-	-	-	-	-	1,978	1,978	15	1,993
Foreign exchange on consolidation of subsidiaries	-	-	-	(4)	-	-	-	(4)	-	(4)
Total comprehensive income for the period	-	-	-	(4)	-	-	1,978	1,974	15	1,989
Balance at 31 October 2023	1,041	2,606	424	177	10,778	757	27,651	43,434	47	43,481

Consolidated statement of changes in equity (continued)

Unaudited for the six months ended 31 October 2024

12 months to 30 April 2024 – audited	Share capital £'000	Merger reserve £'000	Merger relief reserve £'000	Foreign exchange £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity due to shareholders £'000	Non- controlling interest £'000	Total £'000
Balance at 30 April 2023	1,041	2,606	424	181	10,778	557	25,673	41,260	32	41,292
Shares issued	5	-	-	-	80	-	-	85	-	85
Tax in respect of share options	-	-	-	-	-	-	(249)	(249)	-	(249)
Share based payment transfer	-	-	-	-	-	80	(80)	-	-	-
Share based payment charge	-	-	-	-	-	127	-	127	-	127
Dividends paid	-	-	-	-	-	-	-	-	(41)	(41)
Transactions with owners	5	-	-	-	80	207	(329)	(37)	(41)	(78)
Profit for the year	-	-	-	-	-	-	4,231	4,231	23	4,254
Other comprehensive income for the year: Foreign exchange on consolidation of subsidiaries	-	-	-	(38)	-	-	-	(38)	-	(38)
Total comprehensive income for the period	-	-	-	(38)	-	-	4,231	4,193	23	4,216
Balance at 30 April 2024	1,046	2,606	424	143	10,858	764	29,575	45,416	14	45,430

Notes to the interim financial statements

1. General information and basis of preparation

SDI Group plc (the “Company”), a public limited company, is the Group’s ultimate parent. It is registered in England and Wales. The consolidated interim financial statements of the Company for the period ended 31 October 2024 comprise the Company and its subsidiaries (together referred to as the “Group”).

The unaudited consolidated interim financial statements are for the six months ended 31 October 2024. These interim financial statements have been prepared using the recognition and measurement principles of International Accounting Standards in conformity with the requirements of the Companies Act 2006. The consolidated interim financial information has been prepared under the historical cost convention, as modified by the recognition of certain financial instruments at fair value. The consolidated interim financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company.

The consolidated interim financial information was approved by the Board of Directors on 4 December 2024.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The figures for the year ended 30 April 2024 have been extracted from the statutory financial statements of SDI Group plc which have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the six months ended 31 October 2024 and for the six months ended 31 October 2023 has not been audited or reviewed by the auditors pursuant to the Financial Reporting Council’s relevant guidance.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group’s financial statements for the year ended 30 April 2024.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

3. Alternative Performance Measures

The Group uses Gross Profit (on materials only), Adjusted Operating Profit, Adjusted Profit Before Tax, Adjusted Diluted EPS and Net Operating Assets as supplemental measures of the Group's profitability and investment in business-related assets, in addition to measures defined under IFRS. The Group considers these useful due to the exclusion of specific items that are considered to hinder comparison of underlying profitability and investments of the Group's segments and businesses and is aware that shareholders use these measures to evaluate performance over time. The adjusting items for the alternative measures of profit are either recurring but non-cash charges (share-based payments and amortisation of acquired intangible assets) or exceptional items (reorganisation costs and acquisition costs). Some items, e.g., impairment of intangibles are both non-cash and exceptional.

APM	Description
Gross profit (on materials only)	Gross profit excluding any labour costs
Adjusted operating profit	Reported profit excluding any recurring but non-cash charges or exceptional items
Adjusted profit before tax	
Adjusted diluted EPS	Total net income divided by the weighted average number of shares outstanding and dilutive shares
Net operating assets	The total of all assets directly linked to the main operations minus all operational liabilities

The following table is included to define the term Gross Profit (on materials only):

	6 months to 31 October 2024 Unaudited £'000	*Restated 6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Revenue	30,911	32,215	65,846
Cost of purchases	(10,699)	(11,908)	(24,297)
Gross Profit (on materials only)	20,212	20,307	41,549
Gross Margin (on materials only)	65.4%	63.0%	63.1%

*see note 5

The following table is included to define the term Adjusted Operating Profit:

	6 months to 31 October 2024 Unaudited £'000	6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Operating Profit (as reported)	2,434	3,409	7,290
Adjusting items (all costs):			
Non-underlying items			
Share based payments	150	200	128
Amortisation of acquired intangible assets	796	758	1,558
Exceptional items			
Reorganisation costs	265	-	447
Acquisition costs	249	62	155
Total adjusting items	1,460	1,020	2,288
Adjusted Operating Profit	3,894	4,429	9,578

Adjusted Profit Before Tax is defined as follows:

	6 months to 31 October 2024 Unaudited £'000	6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Profit Before Tax (as reported)	1,696	2,655	5,663
Adjusting items (as above)	1,460	1,020	2,288
Adjusted Profit Before Tax	3,156	3,675	7,951

Adjusted EPS is defined as follows:

	6 months to 31 October 2024 Unaudited £'000	6 months to 31 October 2023 Unaudited £'000	12 months to 30 April 2024 Audited £'000
Profit for the Period (as reported)	1,242	1,993	4,254
Adjusting items (as above)	1,460	1,020	2,288
Less: taxation on adjusting items calculated at the UK statutory rate	(199)	(190)	(462)
Adjusted profit for the period	2,503	2,823	6,080
Divided by diluted weighted average number of shares in issue (note 6)	105,586,140	105,242,068	105,253,543
Adjusted Diluted EPS	2.37p	2.68p	5.78p

Net Operating Assets is defined as follows:

	31 October 2024 Unaudited £'000	*Restated 31 October 2023 Unaudited £'000	30 April 2024 Audited £'000
Net Assets	46,740	43,481	45,430
Deferred tax asset*	(142)	(147)	(144)
Corporation tax asset	(292)	(495)	(87)
Cash and cash equivalents	(1,195)	(1,546)	(1,430)
Borrowings and lease liabilities (current and non-current)	25,126	21,519	21,477
Deferred & contingent consideration	500	961	-
Deferred tax liability*	5,595	4,604	4,841
Total adjusting items	29,592	24,896	24,657
Net Operating Assets	76,332	68,377	70,087

*see note 10

4. Segmental analysis

The previous segment structure, comprising Digital Imaging and Sensors and Control, has been in place since 2019. After a strategic review during the previous financial year, the Board considers this segment structure is no longer appropriate and decided to create the following three segments with effect from the start the current financial year: Lab Equipment, Industrial & Scientific Sensors and Industrial & Scientific Products. This new segment structure is expected to encourage synergies between Group companies and support portfolio adhesion. The Group will assign existing resources to drive these strategic benefits.

It is expected that the structure will advance the Group strategy by supporting businesses growth and profitability in route to market, enhanced value proposition and exploit value creation opportunities through the sharing and rebalancing of resource, joined up marketing activities and operational economies of scale.

	6 months to 31 October 2024 Unaudited £'000	Restated 6 months to 31 October 2023 Unaudited £'000	Restated 12 months to 30 April 2024 Audited £'000
Revenues			
Lab Equipment	10,850	13,000	26,835
Industrial & Scientific Sensors	8,402	7,591	16,145
Industrial & Scientific Products	11,659	11,624	22,866
Group	30,911	32,215	65,846
Adjusted operating profit			
Lab Equipment	782	1,411	3,103
Industrial & Scientific Sensors	1,832	2,038	4,319
Industrial & Scientific Products	2,310	1,976	3,986
Central costs	(1,030)	(996)	(1,830)
Group	3,894	4,429	9,578
Amortisation of acquired intangible assets			
Lab Equipment	(193)	(272)	(388)
Industrial & Scientific Sensors	(290)	(257)	(514)
Industrial & Scientific Products	(313)	(229)	(656)
Group	(796)	(758)	(1,558)

Adjusted Operating Profit has been defined in note 3.

Analysis of amortisation of acquired intangible assets has been included separately as the Group considers it to be an important component of profit which is directly attributable to the reported segments.

4. Segmental analysis (continued)

	31 October 2024 Unaudited £'000	Restated 31 October 2023 Unaudited £'000	Restated 30 April 2024 Audited £'000
Operating Assets excluding acquired intangible assets			
Lab Equipment	18,037	19,171	19,783
Industrial & Scientific Sensors	6,618	5,509	6,630
Industrial & Scientific Products	12,607	11,647	11,886
Central costs	1,497	1,013	827
Group	38,759	37,340	39,126
Acquired intangible assets			
Lab Equipment	8,343	8,837	8,654
Industrial & Scientific Sensors	12,722	11,469	13,000
Industrial & Scientific Products	24,878	19,594	19,225
Group	45,943	39,900	40,879
Operating Liabilities			
Lab Equipment	(3,989)	(4,256)	(4,610)
Industrial & Scientific Sensors	(2,277)	(2,334)	(2,339)
Industrial & Scientific Products	(1,649)	(1,770)	(2,074)
Central costs	(455)	(503)	(895)
Group	(8,370)	(8,863)	(9,918)
Net Operating Assets			
Lab Equipment	22,391	23,752	23,827
Industrial & Scientific Sensors	17,063	14,644	17,291
Industrial & Scientific Products	35,836	29,471	29,037
Central costs	1,042	510	(68)
Group	76,332	68,377	70,087

Net operating assets has been defined in note 3.

5 Operating costs

	31 October 2024 Unaudited £'000	*Restated 31 October 2023 Unaudited £'000	30 April 2024 Audited £'000
Raw materials and consumables	10,699	11,908	24,297
Staff costs	12,040	11,907	23,184
Other administrative expenses	5,888	5,050	11,179
	28,627	28,865	58,660

*The directors have reviewed the disclosure for the consolidated income statement and statement of comprehensive income. We consider the IAS1 presentation of expenses by nature better reflects SDI's business and hence have adjusted the format accordingly. This is a presentational adjustment only and does not impact on reported profit before tax.

6. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of SDI Group plc divided by the weighted average number of shares in issue during the period. All profit per share calculations relate to continuing operations of the Group.

	Profit for the period £'000	Weighted average number of shares	Earnings per share amount in pence
Basic earnings per share:			
Period ended 31 October 2024	1,242	104,551,326	1.19
Period ended 31 October 2023	1,993	104,050,044	1.92
Year ended 30 April 2024	4,254	104,099,565	4.09
Dilutive effect of share options:			
Period ended 31 October 2024		1,034,814	
Period ended 31 October 2023		1,192,024	
Year ended 30 April 2024		1,153,978	
Diluted earnings per share:			
Period ended 31 October 2024	1,242	105,586,140	1.18
Period ended 31 October 2023	1,993	105,242,068	1.89
Year ended 30 April 2024	4,254	105,253,543	4.04

7. Borrowings

	31 October 2024 Unaudited £'000	31 October 2023 Unaudited £'000	30 April 2024 Audited £'000
Current liabilities:			
Leases	953	780	841
	953	780	841
Non-current liabilities:			
Bank finance	18,275	14,750	14,600
Finance lease liabilities	5,898	5,989	6,036
	24,173	20,739	20,636
Total borrowings	25,126	21,519	21,477

Bank finance relates to amounts drawn down under the Group's bank facility with HSBC Bank plc, which is secured against all assets of the Group. On 1 November 2021 the Group renewed and expanded its committed loan facility with HSBC to £20m, with an accordion option of an additional £10m and with a termination date of 1 November 2024 extendable for two further years. On 30 November 2022, the Group reached an agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise. In April 2024, HSBC approved an extension of the repayment date by one year to November 2026. At the end of the period to 31 October 2024 the Group had drawn down £18.3m of its revolving credit facility, leaving £6.7m in headroom (excluding the additional £5m accordion option).

8. Taxation

The Group has estimated an effective tax rate of 26.8% (H1 FY24: 24.9%) for the year and has applied this rate to the profit before tax for the period.

9. Business combinations

On 29 October 2024, the Company acquired 100% of the share capital of InspecVision Limited, a company incorporated in England and Wales, for a consideration payable in cash.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair Value adjustment £'000	Fair Value £'000
Assets			
Non-current assets			
Intangible assets	-	3,550	3,550
Property, plant & equipment	92	-	92
Total non-current assets	92	3,550	3,642
Current assets			
Inventories	638	-	638
Trade and other receivables	3,004	-	3,004
Cash and cash equivalents	178	-	178
Liabilities			
Trade and other payables	(132)	-	(132)
Deferred tax liability	(108)	(888)	(996)
Net assets acquired	3,672	2,662	6,334
Goodwill			2,337
Consideration and cost of investment			8,671
Fair value of consideration transferred			
Cash paid			6,565
Less: cash acquired			(172)
Net cash paid in year (see cash flow)			6,393
Non-cash item: Acquired receivable netted on consolidation against SDI loan payable			1,606
Cash acquired			172
Deferred payment			500
			8,671

A loan of £750k was repaid immediately post-acquisition taking the net cash paid from £6,393k to £5,643k.

Due to the short period of time since acquisition, fair value adjustments are provisional and will be finalised within twelve months of acquisition date.

InspecVision Limited was acquired on 29 October 2024 and therefore did not contribute any revenue or profit to the Group in the first half of the year.

If the acquisition of InspecVision Limited had been completed on the first day of the financial year, the additional impact on group revenues for the period are estimated to have been £1.5m and the additional impact on group profit is estimated to have been £343k (before exceptional items) or £466k (after exceptional items), before an additional £0.2m of amortisation expense.

The goodwill of £2,337k arising from the acquisition relates to the assembled workforce and to expected future profitability, synergy and growth expectations.

The deferred tax liability has been calculated on the amortisable intangible assets using the current enacted statutory tax rate of 25%.

10. Prior year restatement

In prior periods, the deferred tax assets and liabilities were shown gross of one another whereas they should have been netted off by jurisdiction. This has been corrected. As a result of this restatement, previously reported non-current assets and total assets for the period ended 31 October 2023 have decreased by £558k and previously reported provisions for liabilities and charges and total liabilities have also decreased by £558k. The previously reported net asset figures for the year ended 31 October 2023 is unchanged. There has been no impact on previously reported profits in the period.