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SDI Group PLC
08 August 2023

SDI Group plc

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

Final Results

SDI Group plc, the AIM quoted Group focused on the design and manufacture of scientific and technology products for use in digital imaging and sensing and control applications, is pleased to announce its final audited results for the year ended 30 April 2023.

Financial and Operational Highlights

- Revenue increased by 36.0% to £67.6m (FY22: £49.7m)
- Adjusted operating profit* increased by 5.8% to £12.8m (FY22: £12.1m)
- Reported operating profit reduced to £6.8m (FY22: £10.2m) due to a non-cash £3.5m impairment charge against Monmouth/Uniform
- Adjusted profit before tax* of £11.8m (FY22: £11.8m)
- Reported profit before tax decreased to £5.8m (FY22: £9.9m)
- Adjusted diluted EPS* increased by 3.6% to 9.02p (FY22: 8.71p)
- Diluted EPS of 3.72p (FY22: 7.23p)
- Two new earnings enhancing acquisitions added to the Group - LTE Scientific Limited and Fraser Anti-Static Techniques Limited
- Companies across the Group coped well with challenging supply chain issues and inflation

A copy of the shareholder presentation regarding the financial results for the year ended 30 April 2023 will be made available on the Company's website www.sdigroup.com/investors/reports-presentations/ later today.

Ken Ford, Chairman of SDI said:

"The Group has added two high quality businesses to the portfolio in FY23. We continue to execute our proven value-creating business model by investing in capacity and capability to enable organic growth amongst our portfolio of businesses, as well as buying and building where acquisition opportunities present themselves.

Against the backdrop of an uncertain economic environment, the portfolio effect of a group of agile businesses operating in multiple markets remains an effective strategy in delivering organic growth. We will continue to build through acquisition, and we will look to unlock synergies within our portfolio of businesses. While we are mindful of the challenging external environment, we remain optimistic for the year ahead and we expect to deliver FY24 results in line with expectations."

*before share based payments, acquisition costs, reorganisation costs (in FY22 only), impairment of intangibles and amortisation of acquired intangible assets.

FOR FURTHER INFORMATION

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Andrew Burdis/Sunila de Silva - ECM	

About SDI Group plc:

SDI designs and manufactures scientific and technology products for use in digital imaging and sensing and control applications including life sciences, healthcare, astronomy, plastics and packaging, manufacturing, precision optics, measurement instrumentation and art conservation. SDI operates through its company divisions: Atik Cameras, Synoptics, Graticules Optics, Sentek, Astles Control Systems, Applied Thermal Control, MPB Industries, Chell Instruments, Monmouth Scientific, Uniform Engineering, Safelab Systems Limited, Scientific Vacuum Systems Limited, LTE Scientific Limited and Fraser Anti-Static Techniques Limited.

Corporate expansion is via organic growth within its subsidiary companies and through the acquisition of complementary, niche technology businesses with established reputations in global markets.
The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Audited Report and Financial Statements

The results have been extracted from the audited financial statements of the Group for the year ended 30 April 2023. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been prepared in accordance with UK adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS. The audited financial statements incorporate an unqualified audit report. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006.

Statutory accounts for the year ended 30 April 2022, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006. The accounting policies applied for the financial year ending 30 April 2023 are consistent with those described in the Annual Report & Accounts for the year ended 30 April 2022.

The Group's Annual Report for the year ended 30 April 2023 will, on 30 August 2023 be available to view on the Company's website: www.sdigroup.com/investors/reports-presentations/, and be sent to shareholders together with a notice of AGM which will also be available on the Company's website.

Notice of AGM

The Company's Annual General Meeting will be held at the offices of finnCap Ltd, One Bartholomew Close, London, EC1A 7BL on Friday 29 September 2023 at 10.00am.

Chairman's Statement for the year ended 30 April 2023

Performance

I am pleased to report that SDI has delivered another record year in terms of revenues and adjusted EBIT. This was despite a volatile economic environment, with high inflation, a tight labour market and an unpredictable supply chain. Our agile business model, which involves smaller niche autonomous businesses operating in a multitude of markets, gives us the ability to respond quickly to market movements and is a strength during periods of economic turbulence. The Group continues to deliver on its buy and build strategy, adding two new businesses during the financial year whilst most existing businesses within the Group also performed well.

On 29 July 2022, we completed the acquisition of LTE Scientific Limited ('LTE'), a UK company which specialises in the design, manufacture and servicing of sterilizers, decontamination and thermal processing equipment, used in the life science and medical sectors. On 21 October 2022, the Group acquired Fraser Anti-Static Techniques Limited ('FAST'), a leading UK manufacturer of anti-static products which eliminate, clean, generate or measure static electricity in a variety of industries including plastics, packaging and printing, amongst others. FAST's technologies and markets are unrelated to our current portfolio. However, LTE operates in a market with which we are already familiar. Both companies fit perfectly within our acquisition criteria and have become part of our Sensors and Control segment. These businesses will be operated separately from our existing businesses. We warmly welcome our new colleagues to the SDI Group.

These acquisitions were funded from existing cash resources and debt facilities. Both companies have performed well since joining the Group.

The Group reported full year revenues of £67.6m, an increase of 36.0% from FY22 (£49.7m). SDI benefitted from a full year's contribution from both Scientific Vacuum Systems (acquired January 2022) and Safelab Systems (March 2022) as well as the FY23 acquisitions noted above. Atik Camera's one-off business with an overseas OEM for PCR cameras generated £8.5m of revenues in FY23, compared with £10.9m in FY22. This business came to an end in February 2023 and as previously announced there are unlikely to be any further contracts with this customer. Group organic revenue growth for the year was 0.9%, and excluding the one-off contracts and the impact of FX, SDI generated 6.4% organic growth.

Adjusted profit before tax at £11.8m remained the same as the previous year. Adjusted operating profit improved by 5.8% to £12.8m.

As you will read elsewhere in this report, we have written off the Monmouth Scientific and Uniform Engineering goodwill and £0.3m of the two businesses' intangible assets. The total non-cash impairment charge, net of applicable deferred tax, is £3.4m whilst the gross impairment charge is £3.5m. Whilst this is not ideal, we remain confident in Monmouth's future prospects. Its net profit margins have reduced following the end of the pandemic, however the business has remained profitable and has a capable new management team. The impairment, together with higher intangible amortisation and interest charges, has meant the statutory operating profit has reduced from £10.2m in FY22 to £6.8m this year. Statutory profit before tax has reduced from £9.9m last year to £5.8m in FY23.

Strategy

We continue to seek targeted acquisitions, funded by earnings and cashflows from our existing businesses where possible. The Group's policy is to acquire small/medium-sized companies within the science and technology sectors with a manufacturing bias. We seek to acquire businesses with high-quality, niche technologies and strong existing management teams that have sustainable profits and cashflows, and the potential to grow.

We continue to service many sectors and geographies with SDI products, particularly in the industrial products, life sciences and medical sectors. Our exposure to discretionary consumer spending is limited and our sales directly to government entities are not high. And whilst not immune to economic conditions, we benefit from structural tailwinds in a number of our businesses.

To ensure we maintain the right level of operating capital and funding available for acquisitions, the Board has again decided not to pay a dividend this financial year but will keep this under review.

Corporate Governance

The Board takes its governance responsibilities very seriously. Our approach to our wide range of responsibilities is set out in the Corporate Governance section of our Annual Report, and as we grow, we expect to continuously improve governance towards the best practices required of a larger company. Further detail on Corporate Governance is available on the Group's website www.sdigroup.com/investors/governance/

The Board, in common with our wider team and other stakeholders, is determined that the Group play its part in addressing climate change, and indeed that we reap the benefits of being part of the solution. We wish to avoid, however, both pointless box-ticking where possible and exaggerated claims. We have started to take tangible steps in the last six months to evaluate our environmental, social and governance ('ESG') position. This is outlined further in the ESG section of the annual report.

Board

Our new CFO, Ami Sharma, joined the Board in August 2022 taking over from Jon Abell, who retired in September after a handover period.

We are also pleased to welcome both Andrew Hosty and Louise Early to the Board as non-executive directors this year. Andrew joined in August and Louise started in February. Both Andrew and Louise have had lengthy careers in decentralised industrial companies, and we are already seeing the benefits of their experience.

Team

SDI employs over 500 people across its companies. It has been another challenging year for the Group and its employees. COVID has not completely gone away. Recruitment challenges, an unpredictable supply chain as well as inflation have made the business environment tricky to navigate for our staff. On behalf of the Board, I would offer our appreciation and thanks for all our employees' dedication and efforts throughout the year. I would also like to thank the wider head office team including CFO Ami Sharma and our Group Financial Controller for their efforts over the last year. Our employees' skills and experience are key to the long-term sustainability of our businesses.

SDI is often asked about its head office structure. This has been in place over the last decade, but at the same time, both the CEO and myself have worked in close tandem when evaluating potential acquisitions. We have an experienced Board, all of whom have significant M&A knowledge, and this has been strengthened over the financial year. However, the Board is very aware of SDI's resourcing structure and continues to evaluate whether additional skill sets are required to continue growth, both organically and through acquisition.

Outlook

The Group has added two high quality businesses to the portfolio in FY23. We continue to execute our proven value-creating business model by investing in capacity and capability to enable organic growth amongst our portfolio of businesses, as well as buying and building where acquisition opportunities present themselves.

Against the backdrop of an uncertain economic environment, the portfolio effect of a group of agile businesses operating in multiple markets remains an effective strategy in delivering organic growth. We will continue to build through acquisition, and we will look to unlock synergies within our portfolio of businesses. While we are mindful of the challenging external environment, we remain optimistic for the year ahead and we expect to deliver FY24 results in line with expectations.

Ken Ford
Chairman

Chairman
Date: 7th August 2023

Chief Executive Officer's Report for the year ended 30 April 2023

Brexit and COVID-19 have heavily impacted upon our last three years of trading. The pandemic created both challenges and opportunities for the Group and active management has allowed the Group to generate very strong revenues and profits, with the last of the Atik sales of cameras for PCR machines being despatched to China in February 2023. The Group's future organic growth rates are expected to normalise to within the 5%-10% range in the absence of exceptional revenues and profits.

Brexit has impacted upon the Group, with delays exporting to and importing from Europe often causing disruption, but we are now seeing this as less of an issue. As with all UK companies, both staffing and inflation have had an impact on our businesses but staff recruitment is improving with few open vacancies remaining. We have passed on price increases from our supply chain to our customers with some success.

Revenues and Profit

Overall revenues grew by 36.0%, of which 35.1% was from the full year impact of the FY22 acquisitions of Scientific Vacuum Systems and Safelab Systems and from the contributions of LTE Scientific and Fraser Anti-Static Techniques, both of which were acquired in the year. Adjusted operating profit grew by 5.8%.

Atik Cameras experienced a surge in one-off demand in respect of cameras for PCR machines over the last three years. This demand peaked over FY22 and reduced by £2.4m in FY23. Excluding this one-off business, Atik Camera's revenues grew by 37%, and SDI's Digital Imaging segment as a whole grew revenues by 16.4%. On a reported basis, the Digital Imaging segment revenues declined by 2.9%, with revenues at £20.9m and adjusted operating profit at £6.9m (down 19.2%). Graticules Optics sales were not as strong as in the previous year where record sales were achieved, however trading remained robust in FY23, while sales at Synoptics were broadly flat.

The Sensors and Control segment grew sales by 65.8% to £46.7m. Organic growth was 3.8%, and the remaining 62.0% growth was from the FY22 and FY23 acquisitions. Adjusted operating profit grew 55.1% to £8.0m.

There are eleven companies in the Sensors and Control segment and several have made outstanding contributions to the Group this year. Our recent acquisitions, LTE Scientific ('LTE') and Fraser Anti-Static Techniques ('FAST'), have performed well since joining the Group. Safelab Systems (acquired in March 2022) also delivered revenues and profits which were higher than expected. Applied Thermal Control achieved record sales of scientific and industrial chillers and Sentek had record chemical sensor revenues.

Monmouth Scientific was acquired in December 2020, when COVID-19 was driving strong revenues and profits for the business. Revenue mix has shifted away from standard biological safety cabinets back towards more custom/modular fume cupboards, laminar flow cabinets and cleanrooms. This has necessitated a change in Monmouth's logistics, as the number of units to commission at a site has declined despite overall sales remaining high. Furthermore, the business has needed more engineers to commission units in a very tough labour market. All of this has taken time to implement. Monmouth also moved to a new purpose-built leased facility in April 2022, which was capitalised at a cost of £4.6m on balance sheet in accordance with IFRS 16. The costs of this brand-new leased site were higher than anticipated. The combination of the aforementioned factors has had an impact on Monmouth's trading results. This has led to an impairment, details of which are provided in the Chief Financial Officer's report.

Adjusted fully diluted earnings per share increased by 3.6% from 8.71p to 9.02p. Reported diluted earnings per share decreased as a result of the impairment of Monmouth/Uniform intangibles by 48.8% from 7.23p to 3.72p.

Acquisitions

Since February 2015 we have acquired 17 businesses within the UK. Many have achieved significant organic growth over the years with SDI's investment. An example of this would be Sentek, which was acquired in October 2015. At the time of acquisition, its sales were £2.5m and the business recorded profits of £0.5m. In FY23 Sentek had a record-breaking year, achieving sales of c.£5m and operating profit of c.£1m. As a Group employing a buy and build strategy, finding businesses with niche capabilities is the key to our success. SDI maintains its reputation as a supportive owner, investing in our people and facilities, as well as trusting the subsidiary management teams with their day-to-day operations.

However, if a subsidiary does not achieve long term growth, an impairment of intangible assets may happen. Sadly, this is the case with Monmouth Scientific. The company has been profitable but not at the levels required to maintain the levels of intangible assets held on the Balance Sheet. We have taken steps to improve performance and are hopeful that the company can attain the profits levels that determined the original goodwill valuation.

We are pleased to have acquired two high-quality and profitable UK-based businesses over the last financial year, extending the technology within the Group as well as our customer base. It is expected that these two acquisitions will provide further scope for future organic growth and provide a base to acquire further businesses within these technology sectors.

On 1 August 2022, the Group announced that it had acquired 100% of the share capital of LTE. Total consideration was £5.4m and this included £1.65m of freehold property and £2.6m of cash. LTE manufactures and services sterilizers, decontamination and thermal processing equipment, used in the life science and medical sectors. LTE fits within SDI's target acquisition profile: complementary technology and products with capable management teams in place and ability to grow under SDI ownership. LTE is based in Greenfield, Oldham.

On 22 October 2022, the Group announced the acquisition of FAST for £16.9m. This included £1.76m of freehold property and £4.1m of cash immediately prior to the acquisition (at time of acquisition this being £1.0m of cash and £3.1m loaned to SDI Group). FAST is one of the world's leading static control and generation solutions to OEMs, end users and distributors of machinery and materials around the world. The business is based in Bampton, Devon with sales offices in Germany and China. One of the positive aspects of this acquisition is that it gives SDI a base in China that could provide an opportunity for our other subsidiary brands to expand into this particular market.

We have funded both acquisitions from our existing cash resources and from our revolving credit facility with HSBC UK Bank. The acquired companies contributed £11.2m of revenues to the Group this year and both acquisitions have been earnings enhancing to the Group in FY23.

Operations

As the number of manufacturing businesses increases within the Group, the opportunity for synergies is developing across several business units. It has been encouraging to see lines of communication opening between our laboratory products businesses; Safelab Systems, Monmouth Scientific, LTE and Synoptics in particular. We have seen them consolidate product lines into a single SDI Group tender, giving the target customer a full turnkey solution. We would look for this to continue in future years.

As in previous years SDI has continued to invest in the improvement of its current product range, as well as developing new products and technologies. We are also looking to improve our manufacturing facilities to increase capacity but also to provide a better service to our customers.

We have invested in the acquisition of a CNC milling machine for the Atik facility in Lisbon. A CNC machine supports rapid turnaround of prototypes. The machine has several other uses. It de-risks our supply chain as it provides cover for a particular single source Portuguese supplier, and it can be used for low volume production to cover gaps when we have issues with other suppliers. We will also use the machine to produce simple, low volume parts that can be expensive to buy externally, without disturbing the flow of the main site operations.

Other investments include laser etching machines for each of MPB Industries, Scientific Vacuum Systems and Graticules Optics. These can be used in many applications but Scientific Vacuum Systems, as a recent example, have added QR codes to each part (of which there were many thousand items) within a sputter coater for a premium brand razor blade manufacturer to enable the customer to purchase spare parts via an easily accessible format.

Our rolling programme of upgrading manufacturing facilities across the Group continues with the refurbishment of the Graticules Optics factory in Tonbridge, which started in 2021 and is nearing completion. Sentek increased capacity by building a mezzanine floor and creating a new room for engineering. These investments will bring a capacity increase as well as improving efficiency, staff comfort, product quality and image.

We have also created a forum for marketing teams to share best practice. Initiatives include more effective social media usage and the use of artificial intelligence.

As we mentioned at the half year, in-person trade fairs and exhibitions have re-started in FY23 and several of our businesses have attended them, with positive feedback received. Examples include ACHEMA (Berlin), Analytica (Frankfurt) and VISION (Stuttgart). Direct face to face meetings with customers, an effective method of launching new products, have become routine once again.

Whilst staff turnover generally remains low, we continue to experience a tight labour market. We have managed to fill most, but not all, skilled vacancies relatively quickly. Cost increases, in relation to materials, have generally been passed on to customers.

Trading Outlook

Our businesses are currently performing well and SDI continues to invest to support organic growth. We expect to deliver FY24 revenues and profits in line with market expectations.

Finding good staff and circumventing supply chain issues are now part of daily business, and our managers have demonstrated their ability to solve these challenges and more. Supply chain delays were prevalent in the first half of FY23. These still exist but have eased somewhat in recent months.

The market for acquisitions appears buoyant, and SDI expects to acquire additional businesses in the FY24 financial year.

The economic backdrop does remain a concern. There is a threat of recession in the UK and the Bank of England has been raising interest rates continuously over recent months to try and tame inflation. We have not seen a high interest rate environment for some time and SDI will experience higher interest charges on its debt. Inflation will also remain a concern. However, SDI has started the FY24 financial year well and we are confident that we can continue to trade profitably and generate free cash flow over the coming financial year.

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Mike Creedon
Chief Executive Officer
Date:7th August 2023

Chief Financial Officer's Report for the year ended 30 April 2023

Revenue and Profits

SDI Group revenues increased by 36.0%, from £49.7m in FY22 to £67.6m in FY23. The two new acquisitions in the year, Fraser Anti-Static Techniques ('FAST') and LTE Scientific ('LTE'), together with the prior year acquisitions, Scientific Vacuum Systems and Safelab Systems (prior to the acquisition anniversaries) contributed £17.5m in additional turnover.

From the outset of the COVID-19 pandemic in FY21, our Atik Cameras business received substantial orders from one customer for cameras designed into an OEM's PCR equipment. Revenues in FY23 relating to this represented £8.5m (FY22: £10.9m). Excluding this 'one-off' business, organic revenue growth was 6.4% on a constant currency basis; 7.2% in absolute terms (£2.8m). Encouragingly, Atik Camera's business grew organically by 37% when this 'one-off' business is excluded.

Gross profit increased to £42.8m (FY22: £31.7m) whilst margin was marginally down to 63.3% (FY22: 63.8%) with the acquisitions having slightly lower gross margins than the Group average. On a like-for-like basis (including prior year acquisitions from the anniversary of the acquisition), gross margins increased compared to FY22, which was pleasing. We have generally been able to pass through increasing raw material costs. Our overheads have increased compared with last year given an increase in sales and marketing activity.

Adjusted operating profit improved to £12.8m (FY22: £12.1m) being operating profit before the impairment charge, share based payments, acquisition costs, reorganisation costs (in FY22 only), and amortisation of acquired intangible assets, an increase of 5.8%.

Reported operating profit reduced to £6.8m (FY22: £10.2m) because of the gross impairment charge of £3.5m against the Monmouth and Uniform CGU (see below) and a £0.7m increase in amortisation of intangible assets relating to the four most recent acquisitions.

Impairment

SDI acquired Monmouth Scientific Limited ('Monmouth') and Uniform Engineering ('Uniform') in December 2020 and January 2021 respectively. These two companies work very closely together and are regarded as one cash generating unit. Accounting standards require companies to evaluate annually whether the future cash flows ('value in use') exceed the value of acquired goodwill, intangible and other fixed assets and working capital.

Monmouth's performance in FY23 was impacted by the factors described in the Chief Executive Officer's report including the annual costs relating to the purpose-built facility which started from March 2022. The impairment review calculation has also been affected by the current higher interest rate environment increasing the weighted cost of capital in the calculation. Therefore, we have impaired a total of £3.5m of Monmouth and Uniform's goodwill and intangible assets. The impairment review calculation includes the costs of Monmouth's premises prepared on an IFRS 16 basis; had the calculation been prepared on a pre IFRS 16 basis, the impairment would have been approximately £1m less.

The £3.5m gross impairment includes the entire Monmouth goodwill balance of £3.0m and all the Uniform goodwill of £0.2m. The balance represents an impairment of £0.1m of Uniform and £0.2m of Monmouth customer relationships respectively. At the year end, Monmouth retains £1.6m of customer relationships/trade names as intangible assets. Uniform has no intangible assets remaining.

Uniform is a key service provider to Monmouth, and also sells to Safelab Systems. In FY23, c.50% of Uniform's sales were to Monmouth and Safelab Systems, with the remainder of sales external to the Group. Monmouth and Uniform on a combined basis, as a single cash generating unit ('CGU') have been profitable within the Group since acquisition and are forecast to continue to be profitable in FY24 and beyond.

Intangible Assets (excluding R&D)

Intangible assets increased by a net £5.3m from £36.0m to £41.3m at the end of FY23. Gross intangible assets (excluding R&D) grew by £10.8m with the two acquisitions in FY23 contributing to £10.5m of the increase. £1.8m of amortisation was charged in the period (FY22: £1.1m) against customer relationships, trade names and other intangible assets as well as the impairment charge of £3.5m noted above. The £10.5m in increased intangible cost was split as follows: £1.4m relates to LTE and £9.1m to the acquisition of FAST. Goodwill rose by £5.5m before the impairment charge: LTE contributed £0.7m and FAST £4.8m. Customer relationships, trade names and other intangibles cost increased by £5.0m before the impairment charge: LTE represented £0.7m and FAST £4.3m.

Investment in R&D

Under IFRS we are required to capitalise certain development expenditure, and in the year ended 30 April 2023, £0.3m (FY22: £0.4m) of cost was capitalised. Much of the work of our R&D teams does not qualify for capitalisation and is charged directly to expense. Amortisation for 2023 was £0.5m (FY22: £0.4m). The carrying value of the capitalised development at 30 April 2023 was £0.7m (FY22: £0.9m) to be amortised over 3 years.

Interest Payable

Interest charges for the year increased to £1.0m (FY22: £0.3m). This increase was due to the higher levels of debt through the year as well as rising interest rates.

Taxation

The taxation charge for the year was £1.9m (FY22: £2.3m) representing a tax effective rate of 33.2% compared to 23.7% in FY22. The tax effective rate for both FY23 and FY22 include one-off factors which will not repeated: the impairment of intangibles not being deductible for tax purposes in FY23 and the inclusion last year of a deferred tax adjustment to align certain deferred tax assets and liabilities to 25%. Excluding these one-off adjustments results in an effective rate of tax of 20.7% (FY22: 16.3%). The Group continues to benefit from R&D tax credits.

Earnings per Share

Adjusted diluted EPS, an alternative performance measure which excludes certain non-cash and non-recurring expenses was 9.02p (FY22: 8.71p), an increase of 3.6%. As a result of the impairment charge noted above, the diluted earnings per share for the Group reduced to 3.72p (FY22: 7.23p).

Cash Flow and Working Capital

Cash generated from operations reduced to £10.9m (FY22: £14.7m). The reduction was due to a £2.9m build-up of inventories and a £3.5m reduction in customer advances, offset by a £2.7m reduction in debtors. £2.1m of the inventory build-up was to mitigate against the impact of component shortages and the balance related to Scientific Vacuum Services building a sputtering machine for a large OEM customer, which will become revenues in FY24. The £3.5m reduction in customer advances was due to £2.7m in COVID related cash flow at Atik received in prior years and £0.8m from a pre-acquisition advance at LTE.

Taxes paid have increased to £2.2m (FY22: £1.3m). This included £0.4m of FY22 tax relating to acquisitions.

Our investment in fixed assets totalled £1.1m (FY22: £1.4m) which included investments in machinery at Atik Cameras.

Acquisition of new businesses remains our largest cash outlay, with £18.7m deployed on a cash-free basis (FY22: £11.0m of which £0.2m was in shares). A further £2.4m was paid in relation to prior period deferred consideration. At the end of the year contingent consideration of £1.0m was outstanding (FY22: £3.4m) relating to the acquisition of SVS, which is to be settled over FY24 pending assessment of the relevant earn-out conditions.

Funding

The Group acquired two businesses over the period, funded through additional debt.

Net debt (excluding lease liabilities), or bank debt less cash, was £13.3m at the end of the year, compared to a net cash position at the beginning of the year of £1.1m. This represents a net debt: EBITDA ratio of 0.9x, which is well within the ceiling provided by our bank facility. On 30 November 2022, the Group reached 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 March 2023, HSBC approved an extension of the repayment date by one year to November 2025. The revolving credit facility can be extended for a further year at HSBC's discretion. At the end of the financial year the Group had drawn down £16m of its revolving credit facility (FY22: £4m), leaving £9m in headroom (excluding the additional £5 million accordion option).

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

Amitabh Sharma
Chief Financial Officer
Date: 7th August 2023

Strategic report - Strategy and KPIs

SDI Group is an AIM-quoted group specialising in the acquisition and development of a portfolio of companies that design and manufacture products for use in digital imaging and sensing and control applications in science, technology and medical markets. Corporate expansion is being pursued, both through organic growth within its subsidiary companies and through the acquisition of high-quality businesses with established reputations in global markets.

The Board believes there are many businesses operating within the market, a number of which have not achieved critical mass, and that presents an ideal opportunity for consolidation. This strategy will be primarily focused within the UK but, where opportunities exist, acquisitions in Europe and the United States and elsewhere will also be considered, particularly if these also enable geographic expansion of our existing businesses.

We intend to continue to buy stand-alone businesses as well as smaller entities and technology acquisitions which bolt onto our existing ones. Our track record over the last seven years has been good, with seventeen businesses acquired across our digital imaging and sensors and controls segments.

An important element of our strategy is that we are known to be a good acquirer, able to help sellers to achieve a sale quickly and easily, and without surprises.

We keep a lean headquarters and our businesses are run by seasoned local management with broad discretion within defined limits. Our aim is to grow them, profitably, and we seek to provide them with the resources necessary to grow. Acquired businesses often find that they can grow faster within the SDI Group than they were prepared to do under private ownership, and they are able to learn from and share experience with other companies in the Group.

Our current businesses fall broadly into two segments, which we call Digital Imaging and Sensors & Control, and within these groupings there are significant commonalities of applications, industries served and technologies employed. This provides additional opportunity for knowledge sharing, which we encourage. The ability to generate synergies has increased as the Group has grown in scale and SDI has acquired businesses in closely related segments.

Growth in revenues and profit within our businesses depends on both technology advancement and seeking new customers, often by expanding geographical reach, and the Board sees geographical expansion as a driver of organic growth for the future.

By lowering the cost of capital of businesses we acquire and by facilitating their profitable growth, our business model has demonstrated that it can provide good returns to shareholders and can be scaled into the future.

Key Performance Indicators

A range of financial key performance indicators are monitored for each business and for the Group monthly against budget and over time by the Board and by management, including order pipeline, revenue, gross profit, costs, adjusted operating profit, and free cashflow.

In support of our acquisition strategy as outlined above, we monitor our acquisition pipeline, including any prospects that fail to progress. Post-acquisition, the Board discusses integration progress, and monitors financial performance against our initial plans. Over a longer period, we monitor the return on total invested capital of all of our businesses.

Additionally, the Board reserves specific agenda items for discussion of environment, social and governance matters, health and safety and other employee welfare-related issues.

Consolidated income statement and statement of comprehensive income
For the year ended 30 April 2023

	Note	2023 £'000	2022 £'000
Revenue	**4**	**67,577**	49,656
Cost of sales		**(24,810)**	(17,998)
Gross profit		**42,767**	31,658
Other income		**112**	55

Other income		[illegible]	[illegible]
Operating expenses		**(32,547)**	(21,534)
Impairment of intangible assets	**8**	**(3,520)**	-
Total operating expenses		**(36,067)**	(21,534)
Operating profit		**6,812**	10,179
Net financing expenses		**(970)**	(295)
Profit before tax		**5,842**	9,884
Income tax	**5**	**(1,939)**	(2,341)
Profit for the year		**3,903**	7,543
Attributable to:			
Equity holders of the parent company		**3,871**	7,543
Non-controlling interest		**32**	-
Profit for the year		**3,903**	7,543

Statement of Comprehensive Income

Profit for the year	**3,903**	7,543
Other comprehensive income		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurement of net defined benefit liability	**95**	-
Items that will be reclassified subsequently to profit and loss:		
Exchange differences on translating foreign operations	**142**	(46)
Total comprehensive income for the year	**4,140**	7,497
Attributable to:		
Equity holders of the parent company	**4,108**	7,497
Non-controlling interest	**32**	-
Total comprehensive income for the year	**4,140**	7,497

All activities of the Group are classed as continuing.

Earnings per share

Basic earnings per share	**7**	**3.80p**	7.53p
Diluted earnings per share	**7**	**3.72p**	7.23p

Consolidated balance sheet
As at 30 April 2023

Company registration number: 06385396	**Note**	**2023 £'000**	2022 £'000
Non-current assets			
Intangible assets	**8**	**41,350**	36,035
Property, plant and equipment		**8,219**	4,074
Right-of-use leased assets		**6,469**	7,305
Investments in associated undertakings		**24**	-
Deferred tax asset		**734**	1,586
		56,796	49,000
Current assets			
Inventories		**13,504**	7,273
Trade and other receivables		**11,980**	7,544
Cash and cash equivalents		**2,711**	5,106
		28,195	19,923
Total assets		**84,991**	68,923

	Note	2023	2022
Liabilities			
Non-current liabilities			
Borrowings	**6**	**(21,996)**	(10,656)
Provisions for liabilities and charges			
Deferred tax liability		**(5,336)**	(4,417)
		(27,332)	(15,073)
Current liabilities			
Trade and other payables		**(15,444)**	(16,089)
Provisions for warranties		**(67)**	(163)
Borrowings	**6**	**(745)**	(779)
Current tax payable		**(111)**	(1,027)
		(16,367)	(18,058)
Total liabilities		**(43,699)**	(33,131)
Net assets		**41,292**	35,792
Equity			
Share capital		**1,041**	1,022
Merger reserve		**2,606**	2,606
Merger relief reserve		**424**	424
Share premium account		**10,778**	9,905
Share based payment reserve		**557**	320
Foreign exchange reserve		**181**	39
Retained earnings		**25,673**	21,476
Total equity due to shareholders		**41,260**	35,792
Non-controlling interest		**32**	-
Total equity		**41,292**	35,792

Consolidated statement of cashflows
As at 30 April 2023

	Note	2023 £'000	2022 £'000
Operating activities			
Net profit for the year		**3,903**	7,543
Depreciation		**1,941**	1,197
Amortisation	**8**	**2,315**	1,576
Finance costs and income		**970**	295
Impairment of intangible assets	**8**	**3,520**	30
Decrease in provisions		**(96)**	(97)
Taxation in the income statement	**5**	**1,939**	2,341
Employee share-based payments		**351**	313
Operating cash flows before movement in working capital		**14,843**	13,198
Increase in inventories		**(2,929)**	(365)
Decrease in trade and other receivables		**2,689**	652
(Decrease)/increase in trade and other payables		**(3,730)**	1,204
Cash generated from operations		**10,873**	14,689
Interest paid		**(970)**	(295)
Income taxes paid		**(2,161)**	(1,290)
Cash generated from operating activities		**7,742**	13,104
Investing activities			
Capital expenditure on fixed assets		**(1,085)**	(1,426)
Sale of property, plant and equipment		**84**	66
Expenditure on development and other intangibles		**(323)**	(415)
Acquisition of subsidiaries, net of cash	**9**	**(21,056)**	(10,995)
Net cash used in investing activities		**(22,380)**	(12,770)
Financing activities			
Finance leases repayments	**6**	**(789)**	(583)
Proceeds from bank borrowing	**6**	**15,000**	9,000
Repayment of borrowings	**6**	**(3,000)**	(8,086)
Issues of shares and proceeds from option exercise		**892**	651
Net cash from financing		**12,103**	982

Net changes in cash and cash equivalents	**(2,535)**	1,316
Cash and cash equivalents, beginning of year	**5,106**	3,836
Foreign currency movements on cash balances	**140**	(46)
Cash and cash equivalents, end of year	**2,711**	5,106

Consolidated statement of changes in equity
As at 30 April 2023

	Share capital	**Merger reserve**	**Merger relief reserve**	**Foreign exchange**	**Share premium**	**Share based payment reserve**	**Retaine earn**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£**
Balance at 30 April 2022	**1,022**	**2,606**	**424**	**39**	**9,905**	**320**	**21**
Shares issued	**19**	**-**	**-**	**-**	**873**	**-**	
Tax in respect of share options	**-**	**-**	**-**	**-**	**-**	**-**	
Share based payment transfer	**-**	**-**	**-**	**-**	**-**	**(114)**	
Share based payment charge	**-**	**-**	**-**	**-**	**-**	**351**	
Transactions with owners	**19**	**-**	**-**	**-**	**873**	**237**	
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Other comprehensive income for the year:							
Actuarial gain on defined benefit pension	**-**	**-**	**-**	**-**	**-**	**-**	
Foreign exchange on consolidation of subsidiaries	**-**	**-**	**-**	**142**	**-**	**-**	
Total comprehensive income for the period	**-**	**-**	**-**	**142**	**-**	**-**	**3**
Balance at 30 April 2023	**1,041**	**2,606**	**424**	**181**	**10,778**	**557**	**25**

Consolidated statement of changes in equity
As at 30 April 2023

	Share capital	Merger reserve	Merger relief reserve	Foreign exchange	Share premium	Share based payment reserve	Retair eai
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 30 April 2021	984	2,606	424	85	9,092	714	1
Shares issued	38	-	-	-	813	-	
Tax in respect of share options	-	-	-	-	-	-	
Share based payment transfer	-	-	-	-	-	(707)	
Share based payment charge	-	-	-	-	-	313	
Transactions with owners	38	-	-	-	813	(394)	
Profit for the year	-	-	-	-	-	-	
Foreign exchange on consolidation of subsidiaries	-	-	-	(46)	-	-	
Total comprehensive income for the period	-	-	-	(46)	-	-	

Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	2

Notes to the financial information for the year ended April 2023

1. GENERAL INFORMATION

SDI Group PLC is a public company incorporated in England and Wales under the Companies Act 2006. The registered office is at Beacon House, Nuffield Road, Cambridge, Cambs, CB4 1TF.

The summary accounts set out above do not constitute statutory accounts as defined by Section 434 of the UK Companies Act 2006. The summarised consolidated income statement and other comprehensive income summarised, the consolidated balance sheet at 30 April 2023, the summarised consolidated cash flow statement and the summarised consolidated statement of changes in equity for the year then ended have been extracted from the Group's 2023 statutory financial statements upon which the auditor's opinion is unqualified and did not contain a statement under either sections 498(2) or 498(3) of the Companies Act 2006. The audit report for the year ended 30 April 2022 did not contain statements under sections 498(2) or 498(3) of the Companies Act 2006. The statutory financial statements for the year ended 30 April 2022 have been delivered to the Registrar of Companies. The 30 April 2023 accounts were approved by the directors on 7th August 2023 but have not yet been delivered to the Registrar of Companies.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The summary accounts are based on the consolidated financial statements that have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

They have been prepared under the assumption that the Group operates on a going concern basis and on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern
The Group ended FY23 with net debt (excluding lease liabilities) of £13.3m compared to a net cash position of £1.1m as at 30 April 2022 and generated free cash flow (before acquisition consideration) of £6.4m. Free cash flow was lower than FY22 due to a £3.5m unwind of customer advances received in previous periods and a £2.9m increase in inventories - to mitigate against component shortages and build an asset for shipping to a customer in FY24. This was offset by a £2.7m reduction in debtors. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. £16m was drawn down under this facility at the year-end (see note 6). In March 2023, HSBC approved an extension of the repayment date by one year to November 2025. This provides the Group with greater certainty over long-term liquidity.

The Board has considered the potential of a downturn given the current economic environment. The Group is in a strong financial position with available facilities, sufficient headroom on all covenants associated with the revolving credit facility, good profitability, and a strong future order book, enabling it to face any reasonable likely challenge of the continued uncertain global economic environment. The Board has reviewed forecasts for the period to 31 October 2024, evaluated a severe downside scenario and performed a sensitivity analysis, all of which the Board considers extremely unlikely. In the event of a more severe scenario (without applying any mitigations), only the interest cover covenant would come under stress. However, mitigations would be obviously applied should this unlikely scenario present itself, such as (but not restricted to) further cost cutting, sale and leaseback of freehold property and potential disposal of assets. This would not cause any significant challenges to the Group's continued existence.

The Board therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

3 ALTERNATIVE PERFORMANCE MEASURES

The Group uses 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

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.

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

	2023 £'000	2022 £'000
Operating Profit (as reported)	**6,812**	10,179
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**351**	313
Amortisation of acquired intangible assets	**1,795**	1,115
Exceptional items		
Reorganisation costs	**-**	125
Impairment of intangible assets	**3,520**	-
Acquisition costs	**331**	341
Total adjusting items	**5,997**	1,894
Adjusted Operating Profit	**12,809**	12,073

Adjusted Profit Before Tax is defined as follows:

	2023 £'000	2022 £'000
Profit before tax (as reported)	**5,842**	9,884
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**351**	313
Amortisation of acquired intangible assets	**1,795**	1,115
Exceptional items		
Reorganisation costs	**-**	125
Impairment of intangible assets	**3,520**	-
Acquisition costs	**331**	341
Total adjusting items	**5,997**	1,894
Adjusted Profit Before Tax	**11,839**	11,778

Adjusted EPS is defined as follows:

	2023 £'000	2022 £'000
Profit for the year	**3,903**	7,543
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**351**	313
Amortisation of acquired intangible assets	**1,795**	1,115
Exceptional items		
Reorganisation costs	**-**	125
Impairment of intangible assets (net of tax)	**3,441**	-
Acquisition costs	**331**	341
Total adjusting items	**5,918**	1,894
Less taxation on adjusting items calculated at the UK statutory rate	**(369)**	(360)
Adjusted profit for the year	**9,452**	9,077
Divided by diluted weighted average number of shares in issue (note 7)	**104,799,252**	104,259,085
Adjusted Diluted EPS	**9.02p**	8.71p

The following table is included to define the term Net Operating Assets:

	2023 £'000	2022 £'000
Net assets	**41,292**	35,792
Deferred tax asset	**(734)**	(1,586)
Corporation tax asset	**-**	(137)
Cash and cash equivalents	**(2,711)**	(5,106)
Borrowings and lease liabilities (current and non-current)	**22,741**	11,435
Deferred & contingent consideration	**961**	3,305
Deferred tax liability	**5,336**	4,417
Current tax payable	**111**	1,027
Total adjusting items within Net assets	**25,704**	13,355
Net Operating Assets	**66,996**	49,147

4 SEGMENT ANALYSIS

The Digital Imaging segment incorporates the Synoptics brands Syngene, Synbiosis, Synoptics Health and Fistreem, the Atik brands Atik Cameras, Opus and Quantum Scientific Imaging, and Graticules Optics. These businesses share significant characteristics including customer application, technology, and production location. Revenues derive from the sale of instruments, components for OEM customers' instruments, from accessories and service and from licence income.

The Sensors & Control segment combines our Sentek, Astles Control Systems, Applied Thermal Control, Thermal Exchange, MPB Industries, Chell Instruments, Monmouth Scientific, Uniform Engineering, Scientific Vacuum Systems, Safelab Systems, LTE Scientific and Fraser Anti-Static Techniques businesses. All of these businesses provide products that enable accurate control of scientific and industrial equipment. Their revenues also derive from the sale of instruments, major components for OEM customers' instruments, and from accessories and service.

The Board of Directors reviews operational results of these segments on a monthly basis and decides on resource allocations to the segments and is considered the Group's chief operational decision maker.

	2023 Total £'000	2022 Total £'000
Revenues		
Digital Imaging	**20,870**	21,492
Sensors & Control	**46,707**	28,164
Group	**67,577**	49,656
Adjusted Operating Profit		
Digital Imaging	**6,873**	8,502
Sensors & Control	**8,045**	5,188
Other	**(2,109)**	(1,617)
Group	**12,809**	12,073
Amortisation of acquired intangible assets		
Digital Imaging	**(175)**	(175)
Sensors & Control	**(1,620)**	(940)
Group	**(1,795)**	(1,115)

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.

The Other category includes costs which cannot be allocated to the other segments and consists principally of Group head office costs.

	2023 Total £'000	2022 Total £'000

Operating assets excluding acquired intangible assets		
Digital Imaging	**7,585**	7,501
Sensors & Control	**32,155**	19,045
Other	**1,075**	247
Group	**40,815**	26,793
Acquired intangible assets		
Digital Imaging	**4,844**	5,019
Sensors & Control	**35,888**	30,282
Group	**40,732**	35,301
Operating Liabilities		
Digital Imaging	**(1,489)**	(4,905)
Sensors & Control	**(11,024)**	(7,075)
Other	**(2,038)**	(968)
Group	**(14,551)**	(12,948)
Net operating assets		
Digital Imaging	**10,940**	7,616
Sensors & Control	**57,019**	42,251
Other	**(963)**	(720)
Group	**66,996**	49,147
Depreciation		
Digital Imaging	**506**	474
Sensors & Control	**1,428**	717
Other	**7**	7
Group	**1,941**	1,198

The geographical analysis of revenue by destination, analysis of revenue by product or service, and non-current assets by location are set out below:

Revenue by destination of external customer	**2023 £'000**	2022 £'000
United Kingdom (country of domicile)	**35,387**	21,330
Europe	**10,038**	7,381
America	**5,392**	4,226
China	**8,543**	10,798
Asia (excluding China)	**6,712**	4,652
Rest of World	**1,505**	1,269
	67,577	49,656

Revenue by product or service:	**2023 £'000**	2022 £'000
Instruments and spare parts	**63,616**	48,253
Services	**3,961**	1,403
	67,577	49,656

12.6% of Group revenue (2022: 21.7%) was from a single customer during the year.

Analysis of revenue by performance obligation:	**2023 £'000**	2022 £'000
Sale of goods, recognised at a point in time	**61,490**	47,531
Sale of services, recognised over time	**3,961**	1,403
Sale of goods, recognised over time	**2,126**	722
	67,577	49,656

Non-current assets by location	**2023 £'000**	2022 £'000
United Kingdom	**55,668**	46,721
Portugal	**701**	586
[illegible]	[illegible]	[illegible]

America	89	107
	56,458	47,414

5 TAXATION

	2023	2022
	£'000	£'000
Current tax charge		
Current year	**1,728**	1,179
Deferred tax charge		
Origination and reversal of temporary differences	**211**	1,162
Total tax charge	**1,939**	2,341

Reconciliation of effective tax rate	**2023 £'000**	2022 £'000
Profit on ordinary activities before tax	**5,842**	9,884
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19.493% (2022: 19%)	**1,139**	1,878
Effects of:		
Permanent difference	**870**	(103)
R&D expenditure credits	**(234)**	(219)
Adjustments to tax charge in respect of previous periods - current tax	**(481)**	38
Adjustments to tax charge in respect of previous periods - deferred tax	**633**	-
Remeasurement of deferred tax for changes in tax rates	**(20)**	728
Difference in overseas tax rate	**32**	19
	1,939	2,341

The Group takes advantage of the enhanced tax deductions for Research and Development expenditure in the UK and expects to continue to be able to do so.

The UK Finance Act 2021 which was substantively enacted on 24 May 2021 included provisions to increase the corporation tax rate to 25% effective from 1 April 2023 and this rate had been applied when calculating the deferred tax in the previous period.

6 BORROWINGS

Borrowings are repayable as follows:

	2023	2022
	£'000	£'000
Within one year		
Bank finance	**-**	-
Finance lease liabilities	**745**	779
	745	779
After one and within five years		
Bank finance	**16,000**	4,000
Finance lease liabilities	**5,996**	6,656
	21,996	10,656
Total borrowings	**22,741**	11,435

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 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. On 29 March 2023 the termination date was extended by a further year to 1 November 2025. This is extendable by another year at HSBC's discretion. The revolving facility is available for general use. The facility has covenants relating to leverage (net debt to EBITDA) and interest cover.

7 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 attributable to shareholders £'000	Weighted average number of shares	Earnings per share amount in pence
Basic earnings per share:			
Year ended 30 April 2023	**3,903**	**102,761,812**	**3.80**
Year ended 30 April 2022	7,543	100,122,394	7.53
Dilutive effect of share options:			
Year ended 30 April 2023		**2,037,440**	
Year ended 30 April 2022		4,136,692	
Diluted earnings per share:			
Year ended 30 April 2023	**3,903**	**104,799,252**	**3.72**
Year ended 30 April 2022	7,543	104,259,085	7.23

At the year end, there were 587,000 (2022: 791,000) share options which were anti-dilutive but may be dilutive in the future.

8 INTANGIBLE ASSETS

The amounts recognised in the balance sheet relate to the following:

	Customer relationships £'000	Other intangibles £'000	Goodwill £'000	Development costs £'000	Total £'000
Cost					
As at 1 May 2022	16,607	2,410	20,107	2,868	41,992
Additions	-	-	290	323	613
Additions on acquisition	4,643	394	5,500	-	10,537
Disposals/Eliminations	-	-	-	(1,178)	(1,178)
As at 30 April 2023	**21,250**	**2,804**	**25,897**	**2,013**	**51,964**
Amortisation and impairment					
As at 1 May 2022	3,008	1,004	-	1,945	5,957
Amortisation for the year	1,271	533	-	511	2,315
Impairment	314	-	3,206	-	3,520
Disposals/Eliminations	-	-	-	(1,178)	(1,178)
At 30 April 2023	**4,593**	**1,537**	**3,206**	**1,278**	**10,614**
Net book value					
As at 30 April 2023	**16,657**	**1,267**	**22,691**	**735**	**41,350**
As at 30 April 2022	13,599	1,406	20,107	923	36,035

Capitalised development costs include amounts totalling £243k (2022: £31k) relating to incomplete projects for which amortisation has not yet begun.

Goodwill relates to various acquisitions and has been allocated to each cash generating unit as appropriate. The cash generating units used to test impairment are generally the individual acquired businesses, or, where these have been operationally merged with others, the resulting merged businesses. Goodwill is not amortised but tested for impairment annually with the recoverable amount being determined from value in use calculations. Goodwill has been allocated for impairment testing to each Cash Generating Unit (CGU), as follows:

	2023 £'000	2022 £'000
Synoptics	**453**	453
Atik	**1,229**	1,229
Graticules	**1,278**	1,278
Sentek	**1,282**	1,282
Astles Control Systems	**2,503**	2,503
Applied Thermal Control	**1,028**	1,028
MPB Industries	**630**	630
Chell Instruments	**2,492**	2,492
Monmouth Scientific incorporating Uniform Engineering and Moorfield Technology	**-**	3,207
Scientific Vacuum Systems	**2,734**	2,444
Safelab Systems	**3,561**	3,561
LTE Scientific	**676**	-
Fraser Anti-Static Techniques	**4,825**	-
	22,691	20,107

During the year, Goodwill was tested for impairment in accordance with IAS 36. The recoverable amount of the Group's Goodwill was assessed by reference to the Value-In-Use ("VIU") calculations derived from 3-year budgeted cash flows and 2 years of extrapolated cash flows using inflationary growth rates (2% to 10% p.a.)

budgeted cash flows and 2 years of extrapolated cash flows using inflationary growth rates (2% to 10% p.a.). This is equivalent to a 5-year forecast period, which is the maximum period expected unless a longer period is justifiable. Management's key assumption for all cash generating units and resulting cash flows is to maintain market share in their markets. Thereafter, the VIU is based on estimated long-term growth ("LTG") rates of 2% (2022: 2%).

A risk-adjusted, pre-tax discount rate of 17.0% (2022: 13.6%) was used for all companies except for the Monmouth Scientific incorporating Uniform Engineering and Moorfield Technology ('Monmouth Scientific'), Synoptics and LTE Scientific CGUs, where a risk-adjusted, pre-tax discount rate of 15.33% was adopted. This latter rate was judged to be appropriate for the Monmouth Scientific, Synoptics and LTE Scientific CGUs as their asset structures (i.e., weight of the fixed assets vs the VIU/carrying value) differ from those observed for the Group and other CGUs. As a significant part of the CGU value could be securitised and financed by debt (building, plant and equipment), these particular CGUs are deemed to have a lower weighted average cost of capital (WACC).

The Directors have concluded that an impairment totalling £3.5m has arisen in relation to Monmouth Scientific's goodwill and intangible assets, which has been subsequently recognised in the Consolidated income statement and statement of comprehensive income as an exceptional item. Approximately £1m of the impairment is caused by IFRS 16 not permitting leased buildings to be revalued during the lease in the absence of a rent renegotiation.

The £3.5m impairment includes the entire goodwill balance of £3.2m and £0.3m of customer relationships. At the year end, £1.6m of customer relationships/trade names remains as intangible assets.

No other impairments have been recognised across any other CGUs.

The Directors have further considered the sensitivity of the key assumptions to changes, including reduced growth rates and operating margins, and increased discount rates. The Growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

Management has performed a sensitivity analysis for the Fraser Anti-Static Techniques CGU, for which a) there is a 1% headroom above carrying cost of the CGU, based on the VIU applying the base assumptions and b) reasonably possible, but not probable, changes in the key assumptions could give rise to an impairment. If any one of the following occurred, the headroom would become de minimis:

- discount rate increased to from 17% to 17.2%
- sales volume reduced by 0.5%, with no action on costs
- operating margins reduced by 0.5%

The average remaining amortisation period of intangible assets excluding Goodwill is 8.1 years (2022: 10.1 years).

9 BUSINESS COMBINATIONS

On 29 July 2022, the Company acquired 100% of the share capital of LTE Scientific 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	-	761	761
Property, plant & equipment	1,643	578	2,221
Total non-current assets	1,643	1,339	2,982
Current assets			
Inventories	1,109	-	1,109
Trade and other receivables	1,596	-	1,596
Cash and cash equivalents	2,606	-	2,606
Liabilities			
Trade and other payables	(3,192)	-	(3,192)
Defined benefit liability (net)	(95)	-	(95)
Borrowings - lease commitments	(35)	-	(35)
Deferred tax liability	(10)	(190)	(200)
Net assets acquired	3,622	1,149	4,771
Goodwill			676
Consideration and cost of investment			**5,447**
Fair value of consideration transferred			
Cash paid in year			5,447
			5,447

LTE Scientific Limited contributed £6,193k revenue and approximately £525k to the Group's profit before tax for the period between the date of acquisition and the balance sheet date, not including £95k of acquired intangible asset amortisation.

If the acquisition of LTE Scientific Limited had been completed on the first day of the financial year, the

If the acquisition of LTE Scientific Limited had been completed on the first day of the financial year, the additional impact on group revenues for the period would have been £1,636k and the additional impact on group profit would have been approximately £93k, before additional £32k of amortisation expense.

The goodwill of £676k arising from the acquisition relates to the assembled workforce and to expected future profitability, synergy and growth expectations.

A third-party expert performed a detailed review of the acquired intangible assets and recognised acquired customer relationships and order book. The customer relationships intangible asset was valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards, net of orders on hand at the date of acquisition. Key assumptions are the discount rate and attrition rate. Values of 14.7% and 15% were selected.

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

The last financial year for LTE Scientific Limited before the acquisition completed was to 31 December 2021. LTE Scientific's current financial year has been extended by four months to April 2023 to align with that of SDI Group plc.
On 21 October 2022, the Company acquired 100% of the share capital of Fraser Anti-Static Techniques 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	16	4,260	4,276
Property, plant & equipment	1,970	-	1,970
Investments	24	-	24
Total non-current assets	2,010	4,260	6,270
Current assets			
Inventories	1,793	-	1,793
Trade and other receivables	5,593	-	5,593
Corporation tax	29	-	29
Cash and cash equivalents	1,049	-	1,049
Liabilities			
Trade and other payables	(1,456)	-	(1,456)
Deferred tax liability	(95)	(1,065)	(1,160)
Net assets acquired	8,923	3,195	12,118
Goodwill			4,824
Consideration and cost of investment			**16,942**
Fair value of consideration transferred			
Cash paid in year			16,942
			16,942

Fraser Anti-Static Techniques Limited contributed £4,966k revenue and approximately £930k to the Group's profit before tax for the period between the date of acquisition and the balance sheet date, not including £68k of acquired intangible asset amortisation.

If the acquisition of Fraser Anti-Static Techniques Limited had been completed on the first day of the financial year, the additional impact on group revenues for the period would have been £4,695k and the additional impact on group profit would have been approximately £671k, before additional £152k of amortisation expense.

The goodwill of £4,824k arising from the acquisition relates to the assembled workforce and to expected future profitability, synergy and growth expectations.

A third-party expert performed a detailed review of the acquired intangible assets, and recognised acquired customer relationships and order book. The customer relationships intangible asset was valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards, net of orders on hand at the date of acquisition. Key assumptions are the discount rate and attrition rate. Values of 16.7% and 8.5% were selected.

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

The last financial year for Fraser Anti-Static Techniques Limited before the acquisition closed was to 30 November 2021. Its current financial year has been extended by five months to April 2023 to align with that of SDI Group plc.

END

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