

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

**Interim results for the six months ended 31 October 2023**

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 results for the six months to 31 October 2023.

**Financial and Operational Highlights**

- Revenue increased by 1.6% to £32.2m (H1 FY23: £31.7m)
- Organic revenue growth of 2.2%, excluding £6.4m COVID related sales in H1 FY23. 20% revenue growth from acquisitions
- Adjusted operating profit\* for the period decreased to £4.4m (H1 FY23: £6.9m)
  - Reported operating profit decreased to £3.4m (H1 FY23: £5.6m)
- Adjusted profit before tax\* decreased to £3.7m (H1 FY23: £6.5m)
  - Reported profit before tax decreased to £2.7m (H1 FY23: £5.3m)
- Adjusted diluted EPS\* decreased to 2.68p (H1 FY23: 5.02p)
  - Reported diluted EPS decreased to 1.89p (H1 FY23: 4.06p)
- Cash generated by operations increased to £3.3m (H1 FY23: £1.9m)
- Net debt (debt less cash) of £13.2m at 31 Oct 23 (30 Apr 23: £13.3m, 31 Oct 22: £15.4m). Facility headroom of £10.25m + £5m accordion
- New acquisition added to the Group post period end - Peak Sensors

A copy of the shareholder presentation regarding the financial results will be made available on the Company's website [www.sdigroup.com/investors/reports-presentations/](http://www.sdigroup.com/investors/reports-presentations/) later today.

**Ken Ford, Chairman of SDI Group, said:**

*"In the first half of the financial year revenues increased to £32.2 million (H1 FY23: £31.7m), despite the expiry of the very large profitable COVID contracts for cameras. Cash generated by operations was £3.3m (H1 FY23: £1.9m). Profits have been affected by some destocking, some of which is likely to be temporary, alongside a slowdown in China and Germany. We now expect to report FY24 adjusted profit before tax of between £7.9m and £8.4m.*

*For over ten years SDI has consistently grown value by focusing on a clear and straightforward strategy. We acquire private companies at a significant discount to those on the quoted markets. These subsidiaries are then encouraged to grow for the benefit of all stakeholders. I am pleased to report that we have a number of new acquisition opportunities under review. So, despite the recent headwinds we look forward to the future with great confidence."*

\* before share based payments, acquisition costs and amortisation of acquired intangible assets.

\*\* excluding £6.4m COVID related revenues in H1 FY23, to aid comparability.

**Enquiries**

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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 companies: Atik Cameras, Synoptics, Graticules Optics, Sentek, Astles Control Systems, Applied Thermal Control, MPB Industries, Chell Instruments, Monmouth Scientific, Uniform Engineering, Safelab Systems, Scientific Vacuum Systems Limited, LTE Scientific, Fraser Anti-Static Techniques and Peak Sensors.

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 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.

### **Chairman's statement**

Whilst the pandemic has ended, the changes in customer behaviour the pandemic caused have continued into this financial year. The COVID years saw over-ordering of products, partly driven by and also leading to component shortages throughout the supply chain. SDI has both benefitted and suffered from these customer behaviours over the last three years, however, this over-ordering has now led to some OEM's de-stocking as they rebalance to a more normalised economic environment. This has impacted upon a small number of our businesses, but we consider this a short-term phenomenon. The strength of our business model, with a number of smaller niche autonomous businesses operating in a multitude of markets, gives us the ability to respond quickly to such market movements. We will continue to control our costs carefully as we manage through this stage of the economic cycle.

We acquired Peak Sensors after the period end on 3 November 2023. Peak is a UK manufacturer of temperature sensors, specialising in standard and bespoke thermocouples and resistance thermometers. With over 25 years of experience, Peak serves various industries, including glass, ceramic, incinerators (including energy from waste), cement, and ovens. Peak exports to more than 85 countries in 6 continents, with approximately 17% overseas sales.

Peak fits perfectly within our acquisition criteria and has joined our Sensors and Control segment. It will be operated separately from our existing businesses. We warmly welcome our new colleagues to the SDI Group.

### **Board**

We are pleased to welcome Stephen Brown to the Board. Stephen joined SDI as Chief Operating Officer at the end of September. His skills and experience, at AB Dynamics, BP, Rolls Royce and high growth companies will be invaluable to SDI. Alongside the addition of Louise Early and Andrew Hosty over FY23, the Board has a strong blend of skills and experience to guide the Group as we continue to grow through our buy and build strategy.

### **Trading and operations**

The Group's trading has been mixed over the first half of FY24. Applied Thermal Control have continued to see good demand in the chiller product market. Astles Control Systems delivered a number of chemical dosing equipment contracts and LTE Scientific ('LTE') continued to execute on a large environmental test chambers contract. Scientific Vacuum Systems ('SVS') has just received a £2.3m order from a different OEM customer for two high tech pieces of equipment for design and delivery over the next 18 month. As expected at the time of its acquisition, SVS is proving to be a 'lumpy' order (and revenues) business. As a result of the events in Ukraine, its major OEM customer has had to re-schedule its planned order profile, leading to a delay in placement of its next order for its next sputtering machine. Their pipeline remains strong but timing of order placement can be variable.

Monmouth has seen an increase in enquiries and orders for clean rooms. Safelab continues to see a good market for fume cupboards and Synoptics is progressing well with its colony counter product brand, Synbiosis. However, a number of OEMs in the life and bio sciences sector are finding the trading environment tough, leading to short-term de-stocking. This is particularly the case in the gel-doc market and this has significantly impacted upon Atik Cameras and, to a much lesser degree, Synoptics. Fraser Anti-Static Techniques ('FAST') has seen a slowdown in some of its geographic markets which has had a slight impact on the business.

The SDI businesses that focus on the laboratory products market have increased collaboration over the period with increased contact between the different management teams. The businesses are actively seeking and finding areas of co-operation to reduce costs and enhance their total customer offer. A number of SDI laboratory products businesses attended the UK Lab Innovations trade show (some businesses for the first time) and a number are planning to have a single stall at the 2024 fair. Anecdotally, footfall is now increasing across these types of events and trade shows do provide a good source for sales leads. We do sometimes travel further afield for trade fairs, with Atik Cameras having attended Analytica China this year.

Marketing teams from across the Group met again recently to share best practice; subject matter included digital marketing. It is expected that this forum will continue to meet. SDI management attended a Group conference in November 2023 to discuss our strategic plans. This provided a valuable forum for networking and sharing business knowledge and opportunities.

We continue to invest. Safelab Systems implemented a new ERP system over the last six months, going live in October 2023. This new system should provide a platform for the business to grow. SDI Group is implementing a new financial consolidation system, which will aid efficiency when consolidating the Group's financial results and provide scalability as we add new businesses.

### **Revenues**

Group revenues increased by 1.6% to £32.2m (H1 FY23: £31.7m). The increase was driven by 20% acquisition growth compared to the first half of FY23, with both LTE and FAST, who delivered in total £6.3m in non-organic sales (until the anniversary of the acquisition). Both LTE and FAST are currently trading ahead of expectations, and we are pleased with their progress.

Organic revenue growth across the business was 2.2% after excluding the comparative £6.4m H1 FY23 COVID related revenues. On a reported basis, there was an organic decline of 18.4%.

Sales in Sensors & Control were 40% higher at £26.8m (H1 FY23: £19.2m), with organic growth of 6.7%. On a reported basis, sales in our Digital Imaging segment reduced by 57% to £5.4m (H1 FY23: £12.5m). The Digital Imaging segment sales reduced by 12.1%\*\* (H1 FY24 vs H1 FY23) as a result of the destocking noted above.

The previous financial year was characterised by component shortages and these have eased considerably. This helped Astles Control Systems deliver more chemical dosing equipment sales in comparison to the first half of last year. Applied Thermal Control had a good trading period with the demand for scientific and industrial cooling systems continuing to be strong. SVS had a strong first half as they shipped a sputtering machine to a large OEM customer. Monmouth Scientific has a strong order book and a good sales pipeline but has experienced operational delays in

ivomium Scientific has a strong order book and a good sales pipeline but has experienced operational delays in delivering product to its customers. This should ease over the second half.

As noted earlier, Atik Cameras' major gel-doc OEM customer has de-stocked significantly over the first half of FY24. This has meant Atik's revenues have fallen short of expectations. Encouragingly, Atik recently received an 18-month order from this customer which will underpin future demand but this will not recover lost first half revenues. Notably, Atik received its first order for ChemiMos cameras over the period.

## Profits

Gross margins held up well in the first half of FY24 at 63%, flat compared to the comparative period. Overheads were higher than the comparative period mainly due to acquisitions. Excluding this, wages/overhead growth was modest.

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. Adjustments for the period were for the amortisation of acquired intangible assets, share-based payments and acquisition costs totalling £1.0m (H1 FY23: £1.2m).

Adjusted Group profit before tax decreased to £3.7m (H1 FY23: £6.5m) as a result of the end of the COVID related contract in FY23. Statutory Group profit before tax decreased to £2.7m (H1 FY23: £5.3m).

Our effective tax rate has increased to 24.9% (on statutory PBT) (H1 FY23: 20%) with the growth coming from an increased corporation tax rate.

Basic earnings per share reduced to 1.92p (H1 FY23: 4.15p); diluted earnings per share decreased to 1.89p (H1 FY23: 4.06p). Adjusted diluted earnings per share reduced to 2.68p (H1 FY23: 5.02p).

## Cash flow

Cash generated from operations increased to £3.3m (H1 FY23: £1.9m). Working capital increased by £2.3m over the period due to a £2.7m reduction in customer advances, £1.4m of which was due to SVS shipping equipment in October. Astles Control Systems saw its customer advances reduce by £0.6m as it delivered chemical dosing equipment and LTE reduced by £0.5m as it worked on an environmental test chambers project for a major OEM.

£1.0m in deferred consideration relating to the acquisition of Scientific Vacuum Systems Limited will be paid in the second half of the year.

Net debt, or bank debt less cash, was £13.2m at 31 October 2023 compared to £13.3m at 30 April 2023 and £15.4m at 31 October 2022. This represents a net debt: EBITDA ratio of 1.1x (rolling last 12 months calculation basis). At 31 October 2023, the Group had £10.25m 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.

## Acquisitions

On 3 November 2023, the Group acquired 100% of the share capital of Peak Sensors (Holding) Limited for a total consideration of c.£2.6m. On the date of the acquisition, the Peak Sensors group of companies had an improved cash in hand position of c.£0.2m. Peak Sensors Limited, the only trading entity in the acquired group, operates from a single site in Chesterfield and has 14 employees.

## Outlook

In the first half of the financial year revenues increased to £32.2m (H1 FY23: £31.7m), despite the expiry of the very large profitable COVID contracts for cameras. Cash generated by operations was £3.3m (H1 FY23: £1.9m). Profits have been affected by some destocking, some of which is likely to be temporary, alongside a slowdown in China and Germany. We now expect to report FY24 adjusted profit before tax of between £7.9m and £8.4m.

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Ken Ford, Chairman  
7 December 2023

## Consolidated income statement

Unaudited for the six months ended 31 October 2023

6 months to  
31 October

6 months to  
31 October

12 months to  
30 April

		31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	30 April 2023 Audited £'000
Revenue	Note	32,215	31,720	67,577
Costs of sales		(11,908)	(11,764)	(24,810)
<b>Gross Profit</b>		<b>20,307</b>	<b>19,956</b>	<b>42,767</b>
Other operating income		59	50	112
Exceptional items - Goodwill impairment		-	-	(3,520)
Other operating expenses		(16,957)	(14,383)	(32,547)
Operating expenses		(16,957)	(14,383)	(36,067)
Operating profit		3,409	5,623	6,812
Net financing expense		(754)	(318)	(970)
<b>Profit before taxation</b>		<b>2,655</b>	<b>5,305</b>	<b>5,842</b>
Income tax charge	7	(662)	(1,061)	(1,939)
<b>Profit for the period</b>		<b>1,993</b>	<b>4,244</b>	<b>3,903</b>
Attributable to:				
Equity holders of the parent company		1,978	4,244	3,871
Non-controlling interest		15	-	32
<b>Profit for the period</b>		<b>1,993</b>	<b>4,244</b>	<b>3,903</b>
<b>Earnings per share</b>	5			
Basic earnings per share		1.92p	4.15p	3.80p
Diluted earnings per share		1.89p	4.06p	3.72p

#### Consolidated statement of comprehensive income

Unaudited for the six months ended 31 October 2023

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
<b>Profit for the period</b>	<b>1,993</b>	<b>4,244</b>	<b>3,903</b>
<b>Other comprehensive income</b>			
<i>Items that will not subsequently be reclassified to profit and loss:</i>			
Remeasurement of net defined benefit liability	-	-	95
<i>Items that will subsequently be reclassified to profit and loss:</i>			
Exchange differences on translating foreign operations	(4)	170	142
<b>Total comprehensive profit for the period</b>	<b>1,989</b>	<b>4,414</b>	<b>4,140</b>
Attributable to:			
Equity holders of the parent company	1,974	4,414	4,108
Non-controlling interest	15	-	32
<b>Total comprehensive profit for the period</b>	<b>1,989</b>	<b>4,414</b>	<b>4,140</b>

#### Consolidated balance sheet

Unaudited at 31 October 2023

6 months to 31 October	6 months to 31 October	12 months to 30 April
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	Note	2023 Unaudited £'000	2022 Unaudited £'000	2023 Audited £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		40,584	47,264	41,350
Property, plant and equipment		14,630	15,015	14,688
Investments		24	-	24
Deferred tax asset	7	705	1,547	734
		55,943	63,826	56,796
<b>Current assets</b>				
Inventories		11,937	12,066	13,504
Trade and other receivables		10,086	11,566	11,980
Corporation tax asset		495	-	-
Cash and cash equivalents		1,546	3,619	2,711
		24,064	27,251	28,195
<b>Total assets</b>		<b>80,007</b>	<b>91,077</b>	<b>84,991</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	6	14,750	19,000	16,000
Lease liabilities	6	5,989	6,304	5,996
Deferred tax liability	7	5,162	5,795	5,336
		25,901	31,099	27,332
<b>Current liabilities</b>				
Trade and other payables		9,768	16,543	15,444
Provisions		77	88	67
Lease liabilities	6	780	802	745
Current tax payable		-	1,889	111
		10,625	19,322	16,367
<b>Total liabilities</b>		<b>36,526</b>	<b>50,421</b>	<b>43,699</b>
<b>Net assets</b>		<b>43,481</b>	<b>40,656</b>	<b>41,292</b>
<b>Equity</b>				
Share capital		1,041	1,027	1,041
Merger reserve		2,606	2,606	2,606
Merger relief reserve		424	424	424
Share premium account		10,778	10,093	10,778
Share-based payment reserve		757	656	557
Foreign exchange reserve		177	209	181
Retained earnings		27,651	25,641	25,673
<b>Total equity due to shareholders</b>		<b>43,434</b>	<b>40,656</b>	<b>41,260</b>
<b>Non-controlling interest</b>		<b>47</b>	<b>-</b>	<b>32</b>
<b>Net assets</b>		<b>43,481</b>	<b>40,656</b>	<b>41,292</b>

**Consolidated statement of cash flows**  
Unaudited for the six months ended 31 October 2023

	Note	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
<b>Operating activities</b>				
Net profit for the period		1,993	4,244	3,903
Depreciation and amortisation		2,005	2,010	4,256
Finance costs and income		754	318	970
Impairment of intangibles		-	-	3,520
Changes in provisions		10	(75)	(96)
Taxation expense in the income statement		662	1,061	1,939
Employee share-based payments		200	140	351
<b>Operating cash flow before movement in working capital</b>		<b>5,624</b>	<b>7,698</b>	<b>14,843</b>
Changes in inventories		1,567	(1,906)	(2,929)
Changes in trade and other receivables		1,894	(1,070)	2,689
Changes in trade and other payables		(5,770)	(2,847)	(3,730)
<b>Cash generated from operations</b>		<b>3,315</b>	<b>1,875</b>	<b>10,873</b>
Interest paid		(754)	(318)	(970)
Income taxes paid		(1,413)	(691)	(2,161)
<b>Cash generated from operating activities</b>		<b>1,148</b>	<b>866</b>	<b>7,742</b>
<b>Cash flows from investing activities</b>				
Capital expenditure on fixed assets		(556)	(443)	(1,085)
Sale of property plant and equipment		20	10	84
Expenditure on development and other intangibles		(222)	(183)	(323)

Expenditure on development and other intangibles	(202)	(100)	(322)
Acquisition of subsidiaries, net of cash	-	(16,523)	(21,056)
<b>Net cash used in investing activities</b>	<b>(768)</b>	<b>(17,139)</b>	<b>(22,380)</b>
<b>Cash flows from financing activities</b>			
Payments of lease liabilities	(384)	(386)	(789)
Proceeds from bank borrowings	-	15,000	15,000
Repayment of borrowings	(1,250)	-	(3,000)
Issues of shares & proceeds from option exercises	-	-	892
<b>Net cash (used in)/from financing activities</b>	<b>(1,634)</b>	<b>14,614</b>	<b>12,103</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,254)</b>	<b>(1,659)</b>	<b>(2,535)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,711</b>	<b>5,106</b>	<b>5,106</b>
<b>Foreign currency movements on cash balances</b>	<b>89</b>	<b>172</b>	<b>140</b>
<b>Cash and cash equivalents, end of period</b>	<b>1,546</b>	<b>3,619</b>	<b>2,711</b>

**Consolidated statement of changes in equity**  
Unaudited for the six months ended 31 October 2023

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	Non- controlling interest £'000	Total £'000
Balance at 1 May 2023	1,041	2,606	424	181	10,778	557	25,673	32	41,292
Shares issued	-	-	-	-	-	-	-	-	-
Tax in respect to share options	-	-	-	-	-	-	-	-	-
Share based payments transfer	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	200	-	-	200
<b>Transactions with owners</b>	-	-	-	-	-	<b>200</b>	-	-	<b>200</b>
Profit for the period	-	-	-	-	-	-	1,978	15	1,993
Foreign exchange on consolidation of subsidiaries	-	-	-	(4)	-	-	-	-	(4)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(4)</b>	-	-	<b>1,978</b>	<b>15</b>	<b>1,989</b>
<b>Balance at 31 October 2023</b>	<b>1,041</b>	<b>2,606</b>	<b>424</b>	<b>177</b>	<b>10,778</b>	<b>757</b>	<b>27,651</b>	<b>47</b>	<b>43,481</b>

6 months to 31 October 2022 - 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	Non- controlling interest £'000	Total £'000
Balance at 1 May 2022	1,022	2,606	424	39	9,905	320	21,476	-	35,792
Shares issued	5	-	-	-	188	-	-	-	193
Tax in respect to share options	-	-	-	-	-	-	117	-	117
Share based payments transfer	-	-	-	-	-	196	(196)	-	-
Share based payments	-	-	-	-	-	140	-	-	140
<b>Transactions with owners</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>336</b>	<b>(79)</b>	<b>-</b>	<b>450</b>
Profit for the period	-	-	-	-	-	-	4,244	-	4,244
Foreign exchange on consolidation of subsidiaries	-	-	-	170	-	-	-	-	170
<b>Total comprehensive income for the period</b>	-	-	-	<b>170</b>	-	-	<b>4,244</b>	-	<b>4,414</b>
<b>Balance at 31 October 2022</b>	<b>1,027</b>	<b>2,606</b>	<b>424</b>	<b>209</b>	<b>10,093</b>	<b>656</b>	<b>25,641</b>	<b>-</b>	<b>40,656</b>

**Consolidated statement of changes in equity (continued)**  
Unaudited for the six months ended 31 October 2023

<b>12 months to 30 April 2023 - audited</b>	Share capital £'000	Merger reserve £'000	Merger relief reserve £'000	Foreign exchange £'000	Share premium £'000	Share- based payment reserve £'000	Retained earnings £'000	Non- controlling interest £'000	Total £'000
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476	-	35,792
Shares issued	19	-	-	-	873	-	-	-	892
Tax in respect to share options	-	-	-	-	-	-	117	-	117
Share based payments transfer	-	-	-	-	-	(114)	114	-	-
Share based payments	-	-	-	-	-	351	-	-	351
<b>Transactions with owners</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>873</b>	<b>237</b>	<b>231</b>	<b>-</b>	<b>1,360</b>
Profit for the year	-	-	-	-	-	-	3,871	32	3,903
Actuarial gain on defined benefit pension	-	-	-	-	-	-	95	-	95
Foreign exchange on consolidation of subsidiaries	-	-	-	142	-	-	-	-	142
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>3,966</b>	<b>32</b>	<b>4,140</b>
<b>Balance at 30 April 2023</b>	<b>1,041</b>	<b>2,606</b>	<b>424</b>	<b>181</b>	<b>10,778</b>	<b>557</b>	<b>25,673</b>	<b>32</b>	<b>41,292</b>

**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 2023 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 2023. 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 7 December 2023.

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 2023 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 2023 and for the six months ended 31 October 2022 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 2023.

the year ended 30 April 2023.

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 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).

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

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
<b>Operating Profit (as reported)</b>	<b>3,409</b>	5,623	6,812
Adjusting items (all costs):			
<b>Non-underlying items</b>			
Share based payments	200	140	351
Amortisation of acquired intangible assets	758	823	1,795
<b>Exceptional items</b>			
Impairment of intangibles	-	-	3,520
Acquisition costs	62	267	331
<b>Total adjusting items within Operating Profit</b>	<b>1,020</b>	1,230	5,997
<b>Adjusted Operating Profit</b>	<b>4,429</b>	6,853	12,809

Adjusted Profit Before Tax is defined as follows:

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
<b>Profit Before Tax (as reported)</b>	<b>2,655</b>	5,305	5,842
Adjusting items (as above)	1,020	1,230	5,997
<b>Adjusted Profit Before Tax</b>	<b>3,675</b>	6,535	11,839

### 3. Alternative Performance Measures (continued)

Adjusted EPS is defined as follows:

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
<b>Profit for the Period (as reported)</b>	<b>1,993</b>	4,244	3,903



Adjusting items (as above)	1,020	1,230	5,918*
Less: taxation on adjusting items calculated at the UK statutory rate	(190)	(234)	(369)
Adjusted profit for the period	2,823	5,240	9,452
Divided by diluted weighted average number of shares in issue (Note 6)	105,242,068	104,411,856	104,799,252
<b>Adjusted Diluted EPS</b>	<b>2.68p</b>	<b>5.02p</b>	<b>9.02p</b>

\*impairment of intangible assets is net of tax

Net Operating Assets is defined as follows:

	31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	30 April 2023 Audited £'000
<b>Net Assets</b>	<b>43,481</b>	40,656	41,292
Deferred tax asset	(705)	(1,547)	(734)
Corporation tax asset	(495)	(569)	-
Cash and cash equivalents	(1,546)	(3,619)	(2,711)
Borrowings (current and non-current)	21,519	26,106	22,741
Deferred consideration	961	2,460	961
Deferred tax liability	5,162	5,795	5,336
Current tax payable	-	1,889	111
<b>Total adjusting items within Net Assets</b>	<b>24,896</b>	30,515	25,704
<b>Net Operating Assets</b>	<b>68,377</b>	71,171	66,996

#### 4. Segmental analysis

	6 months to 31 October 2023 Unaudited £'000	6 months to 31 October 2022 Unaudited £'000	12 months to 30 April 2023 Audited £'000
<b>Revenues</b>			
Digital Imaging	5,405	12,529	20,870
Sensors & Control	26,810	19,191	46,707
<b>Group</b>	<b>32,215</b>	31,720	67,577
<b>Adjusted operating profit</b>			
Digital Imaging	645	4,692	6,873
Sensors & Control	4,780	2,914	8,045
Other	(996)	(753)	(2,109)
<b>Group</b>	<b>4,429</b>	6,853	12,809
<b>Amortisation of acquired intangible assets</b>			
Digital Imaging	(92)	(92)	(175)
Sensors & Control	(666)	(735)	(1,620)
<b>Group</b>	<b>(758)</b>	(827)	(1,795)

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.

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

#### 4. Segmental analysis (continued)

	31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	30 April 2023 Audited £'000
<b>Operating Assets excluding acquired intangible assets</b>			
Digital Imaging	7,452	8,191	7,585
Sensors & Control	28,875	29,868	32,155
Other	1,013	676	1,075
<b>Group</b>	<b>37,340</b>	<b>38,735</b>	<b>40,815</b>
<b>Acquired intangible assets</b>			
Digital Imaging	4,759	4,932	4,844
Sensors & Control	35,141	41,675	35,888
<b>Group</b>	<b>39,900</b>	<b>46,607</b>	<b>40,732</b>
<b>Operating Liabilities</b>			
Digital Imaging	(1,298)	(3,133)	(1,489)
Sensors & Control	(7,062)	(10,383)	(11,024)
Other	(503)	(655)	(2,038)
<b>Group</b>	<b>(8,863)</b>	<b>(14,171)</b>	<b>(14,551)</b>
<b>Net Operating Assets</b>			
Digital Imaging	10,913	9,990	10,940
Sensors & Control	56,954	61,160	57,019
Other	510	21	(963)
<b>Group</b>	<b>68,377</b>	<b>71,171</b>	<b>66,996</b>

Net operating assets has been defined in Note 3.

#### 5. 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
<b>Basic earnings per share:</b>			
Period ended 31 October 2023	1,993	104,050,044	1.92
Period ended 31 October 2022	4,244	102,215,980	4.15
Year ended 30 April 2023	3,903	102,761,812	3.80
<b>Dilutive effect of share options:</b>			
Period ended 31 October 2023		1,192,024	
Period ended 31 October 2022		2,195,876	
Year ended 30 April 2023		2,037,440	
<b>Diluted earnings per share:</b>			
Period ended 31 October 2023	1,993	105,242,068	1.89
Period ended 31 October 2022	4,244	104,411,856	4.06
Year ended 30 April 2023	3,903	104,799,252	3.72

## 6. Borrowings

	31 October 2023 Unaudited £'000	31 October 2022 Unaudited £'000	*Restated 30 April 2023 Audited £'000
<b>Within one year:</b>			
Leases	780	802	745
	780	802	745
<b>After one year and within five years:</b>			
Bank finance	14,750	19,000	16,000
Leases	5,208	5,476	5,215
	19,958	24,476	21,215
<b>After more than five years:</b>			
Leases	781	828	781
<b>Total borrowings</b>	<b>21,519</b>	<b>26,106</b>	<b>22,741</b>

\*see note 9

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. Taxation

The Group has estimated an effective tax rate of 24.9% (H1 FY23: 20%) for the year and has applied this rate to the profit before tax for the period.

## 8. Post balance sheet events

On 3 November 2023 the Group completed the acquisition of Peak Sensors for an initial consideration of c.£1.6m in cash plus further expected payments up to c.£1.0m depending on net assets delivered at completion. Peak Sensors comprises three companies: Peak Sensors (Holding) Limited and two wholly owned subsidiaries, Peak Sensors Limited and Peak Sensors (Property) Limited. Peak Sensors Limited is the main trading company employing all members of staff.

Peak Sensors is a leading UK manufacturer of temperature sensors, specialising in standard and bespoke thermocouples and resistance thermometers which are used in various industries, including glass, ceramic, incinerators (including energy from waste), cement, and ovens. For the year ended 31 March 2023, Peak Sensors achieved revenues of approximately £2.1m, EBIT of c.£0.3m, and the Peak group's statutory profit before tax was c.£0.4m (consolidated, unaudited).

The acquisition is expected to be earnings enhancing in the first full year of ownership.

## 9. Prior year restatement

The amounts owed after more than five years and after one year and within five years were updated to include the correct split. As a result of this correction, the amounts owed after more than five years has increased by £781,000 to £781,000 and the amounts owed after one year and within five years has decreased by £781,000 to £5,215,000. The correction had no impact on the presentation of current and non-current liabilities as per the Statement of Financial Position.

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