RNS Number : 2891Y
SDI Group PLC
30 July 2024

SDI Group plc

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

Final Results

30th July 2024, SDI Group plc, the AIM quoted Group focused on the design and manufacture of products for use in the lab equipment, industrial & scientific sensors and the industrial & scientific products markets, announces its final audited results for the year ended 30 April 2024, in line with market expectations.

Strategic and Operational Highlights

- Refreshed management team in place with refined strategy to deliver sustainable growth
- Further investments in commercial and operational capabilities
- Strategic review completed, leading to a re-segmentation of the portfolio under three areas: Lab Equipment, Industrial & Scientific Sensors and Industrial & Scientific Products - enabling further synergies for complementary businesses
- Acquisition of Peak Sensors ("Peak"), continuing track record of earnings enhancing acquisitions
- Group track record of five-year CAGR revenue and adjusted operating profit* growth of 28% and 20.1% respectively

Financial summary

- Revenues of £65.8m (FY23: £67.6m). Constant currency organic revenue decline of 0.5% when £8.5m of FY23 Covid-19 revenues are excluded. 10.7% revenue growth from acquisitions
- Full year revenue performance year on year reflects a contraction at Atik, an improvement at SVS, and broadly flat in the other businesses, together with a full year contribution from LTE and FAST, and Peak which was acquired in the year
- Adjusted operating profit* of £9.6m (FY23: £12.8m), with reported operating profit of £7.3m (FY23: £6.8m). FY23 sales mix included £8.5m of high margin Covid-19 revenues
- Adjusted profit before tax* of £8.0m (FY23: £11.8m), with reported profit before tax of £5.7m (FY23: £5.8m)
- Adjusted Diluted EPS* of 5.78p (FY23: 9.02p)
- Cash generated by operations of £9.4m (FY23: £10.9m)
- Net debt (debt less cash, excluding leases) of £13.2m (FY23: £13.3m), despite £3.4m of acquisition related spend

Post period-end highlights

- Additional internal resource added post-period end to support both organic and inorganic growth
- At 30 June 2024, continued cash generation has increased the facility headroom to £11.5m (unaudited) + £5m accordion, providing capacity to finance further acquisitions

Outlook

- Management actions in H2 FY24, and in FY25 to date, taking positive effect
- Improved staff incentivisation (below Board), and a conservative view on certain sales opportunities, results in a reduction to FY25 guidance**
- Following conclusion of strategic review, the Group is now well placed for the future and expects longer-term organic growth to be in the range of 5-8%
- Acquisition pipeline providing potential for one or more acquisitions in FY25

Stephen Brown, Chief Executive Officer of SDI, said:

"I am pleased to report these results, delivered despite a challenging macroeconomic backdrop. Our refined strategy to drive organic growth across our portfolio businesses, alongside our proven track record of delivering value-enhancing acquisitions, will strengthen the SDI proposition. With our refreshed management team in place, our strategic review complete and our focus on three distinct and complementary global end-markets, we are well placed to deliver sustainable growth from a stable base and create value for our stakeholders."

A copy of the shareholder presentation regarding the financial results for the year ended 30 April 2024 will be made available on the Company's website www.sdigroup.com/investors/reports-presentations/ later today.

**before share based payments, acquisition costs, reorganisation costs, divestment of subsidiary undertaking, impairment of intangibles (FY23 only) and amortisation of acquired intangible assets.*

***Analysts from our Broker, Cavendish Capital Markets Limited, and from Progressive Equity Research regularly provide research on the Company, accessible from our website, and the Group considers the average of their forecasts to represent market expectations. Prior to this announcement, FY25 expectations were Revenue of £69.7m, Adjusted Operating Profit of £11.5m and Adjusted Profit Before Tax of £10.2m.*

Enquiries

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About SDI Group plc:

SDI Group plc ('SDI'), specialises in the acquisition and development of companies that design and manufacture products for use in the lab equipment, industrial & scientific sensors and the industrial & scientific products markets. SDI's current portfolio of 14 companies target markets including life sciences, healthcare, astronomy, plastics and packaging, manufacturing, precision optics, measurement instrumentation and art conservation.

SDI's growth strategy is twofold: 1) through the enhancement of its portfolio companies (organic growth) and, 2) through the identification and acquisition of complementary, niche technology businesses with established reputations in global markets (inorganic growth).

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

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 2024. 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 2023, 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 Group's Annual Report for the year ended 30 April 2024 will, on 27 August 2024, 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 Cavendish Capital Markets Ltd, One Bartholomew Close, London, EC1A 7BL on Thursday 26 September 2024 at 11.30am.

Chairman's Statement for the year ended 30 April 2024

Summary
A track record of delivery

I am pleased to report our robust performance during the year, especially with the headwinds faced by the business as trading normalised following COVID-19. We have met the expectations for adjusted operating profit and turnover that were set in December 2023 and have delivered free cash flow and reduced debt.

We welcomed Stephen Brown, formerly Chief Operating Officer ('COO') of AB Dynamics, as SDI's COO in September 2023 and he became our CEO in January 2024. Stephen's skillset, experience and track record are invaluable in the delivery of our strategy for growth, driving synergies through our portfolio companies, and the continuation of our track record in M&A. We reported previously that Stephen had made an excellent start within the Group, and I am pleased that this continues to be the case.

In our previous financial year, we reported an impairment of £3.5m principally for Monmouth Scientific. Through the efforts of the Group and Monmouth's management team, that business has increased its profitability and its prospects have greatly improved.

SDI's successful buy and build strategy continued with the earnings-enhancing purchase of Peak Sensors during the year. We continue to identify new opportunities that fit our investment criteria, and there are several opportunities being actively considered. The Group's policy is to acquire small to 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.

Future acquisitions will be funded by earnings and cashflows from our existing businesses where possible. 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. During the year, as part of our cash management processes our 70% owned Chinese subsidiary, Shanghai Fraser Static Technology Co., Ltd paid a £41k dividend to its non-controlling interest as well as a dividend to its parent company, Fraser Anti-Static Techniques Limited.

Market opportunity

SDI is a good example of UK engineering success, bringing together highly specialised and innovative businesses and helping them to grow, whilst offering investors exposure to a wide range of technologies and end markets. We are seeing good demand for our portfolio companies' offerings in the market and also a solid pipeline of interesting businesses as potential acquisitions. Whilst we will consider overseas acquisitions where they are value-enhancing, the UK remains a fertile hunting-ground for us and the quality of UK innovation continues to be strong.

Board

We now have the Board in place to support SDI's growth plans. The three non-executive directors David Tilston, Andrew Hosty, and Louise Early, all have experience with global companies, which are much larger by turnover and market capitalisation. Ami Sharma, CFO, has been with the Company since August 2022 and Stephen Brown has been CEO since January 2024.

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

Team

We now have over 500 employees across the Group and, on behalf of the Board, I would like to offer our appreciation and thanks to our colleagues across all of our portfolio companies. Their dedication, skills, experience and efforts throughout the year are key to the long-term success of our businesses.

Outlook

Over the last ten years, we have grown turnover from £7.0m to £65.8m, adjusted operating profit from £57k to £9.6m and the share price has increased from around 14p to 66p (as at 25th July 2024). Our ability to identify and buy companies at a reasonable price and support their continued organic growth has driven this performance. The Board is unwavering in its strategy of continuing to generate cash, seek further acquisitions and enhance their performance and we feel we have the right management team in place to continue to deliver for our shareholders.

There are many macro-economic concerns facing the manufacturing industry, but our broad spread of niche companies, and the structural tailwinds in a number of our businesses, along with actions driven by the recently completed strategic review gives us grounds to look forward to the future of SDI with confidence.

Ken Ford
Chairman
Date: 30th July 2024

Chief Executive Officer's Report for the year ended 30 April 2024
A strategy for sustainable growth

Overview

I am pleased to report the Group delivered these results despite facing headwinds in H1, including the unwinding of COVID-19 related orders, destocking by key customers and a high cost of debt. This performance is attributable to a strong second half of the year, fuelled by recent investments in our commercial and operational capabilities.

Encouragingly, our actions, coupled with positive market dynamics in most segments supported respectable profitability. Notably, several portfolio businesses achieved excellent levels of revenue and profitability, while some others exceeded expectations by year end. The Group remains committed to delivering and developing products that meet the evolving needs of our target markets. We have effectively implemented price adjustments to reflect supply chain cost increases, and many Group businesses are successfully transitioning from a reactive to a proactive sales culture.

Financial performance

In 2024, the Group delivered revenues of £65.8m (FY23: £67.5m), reflecting five-year CAGR sales growth of 28%. The mid-year acquisition of Peak Sensors contributed £1m in sales. Adjusted operating profit reached £9.6m (FY23: £12.8m), representing five-year CAGR profit growth of 20.1%. This aligns with guidance provided at the half-year mark. Gross margins, excluding labour costs, remained relatively stable at 63.1% (FY23: 63.3%), bolstered by the improved performance of higher-margin businesses like Astles and Chell. The second half of the year saw the successful implementation of planned operational and commercial initiatives, leading to enhanced sales, profitability, and cash generation. Cash generated from operations amounted to £9.4m (FY23: £10.9m). Acquisition-related expenditure totalled £3.4m (£2.4m for the acquisition of Peak Sensors, and a further £1m in relation to prior period deferred consideration), with net debt remaining relatively unchanged from the beginning of the year.

Operational review

As noted on page 9, we re-segmented our businesses as a result of our recent strategic review after the year end. Commentaries on the year-on-year movements for our old segment structure are provided in the CFO report. My commentary below focusses on the new structure.

Our laboratory equipment businesses (Monmouth Scientific, Safelab Systems, Synoptics, and LTE Scientific) achieved growth of 7.8% to £26.8m, demonstrating continued adoption of our niche products across various sectors. Market demand for Monmouth Scientific's modular clean rooms experienced strong growth within this segment.

Businesses in the industrial and scientific sensors sector (MPB Industries, Sentek, Peak Sensors, Chell Instruments, and Astles Control Systems) maintained relative consistency, achieving growth of 2.0% to £16.1m. This growth was partially driven by Peak Sensors' contribution after acquisition during the latter half of the year and bolstered by increasingly strong demand for Chell's sensors, systems and services.

The industrial and scientific products sector (Fraser Anti-Static Technologies ('FAST'), Atik Cameras, Applied Thermal Control, Graticules Optics, and Scientific Vacuum Systems) experienced a sales decline of 14.8% to £22.9m. This decline was primarily attributed to a sharp drop in Atik's revenue following the completion of a COVID-19 related contract for PCR cameras. Atik also faced significant destocking from a major customer in the first half of the year, though they managed a substantial recovery in the second half. FAST encountered geographical slowdowns in two key industrial markets, however, strong demand for equipment from Scientific Vacuum Systems and Applied Thermal Control partially offset these sales reductions.

We have made good progress in actively fostering synergies between portfolio companies operating in overlapping markets and/or offering similar products. Safelab and Monmouth have collaborated on successful joint tenders, including a notable £1.6m project. Similarly, LTE has participated in other collaborative bids. Monmouth and FAST have embarked on joint marketing initiatives to promote fume cabinets and cleanrooms with anti-static capabilities.

Additionally, the Group is capitalising on procurement advantages across its supply chain, launching joint digital campaigns, and organising combined sales conferences. These proactive initiatives will deliver enhanced organic growth across the Group.

The Group remains committed to supporting the long-term sustainability of its portfolio businesses through continued investment in research and development ('R&D') and the renewal or addition of a number of leaseholds. R&D expenditure amounted to £1.8m, with significant investments made in next-generation products at Synoptics (Synbiosis and AutoCol), FAST (X-series bars), Chell (pressure scanner products including the DAQ range expansion), and ATIK (ChemiMOS and CMOS cameras). These investments are strategically aligned with our customers' current and future needs, aiming to solidify the Group's competitive edge within the market. Additionally, lease renewals and a new leasehold unit totalled £0.75m, which will not only increase production capacity but also enhance efficiency, staff well-being, product quality, and image.

As a result of the continued investment in people for future growth, and a conservative view on certain sales opportunities, adjusted EBIT guidance for FY25 has been revised*. Following conclusion of the strategic review, the Group is now well placed for the future and expects longer-term organic growth to be in the range of 5-8%.

**Analysts from our Broker, Cavendish Capital Markets Limited, and from Progressive Equity Research regularly provide research on the Company, accessible from our website, and the Group considers the average of their forecasts to represent market expectations. Prior to this announcement, FY25 expectations were Revenue of £69.7m, Adjusted Operating Profit of £11.5m and Adjusted Profit Before Tax of £10.2m.*

Strategy

In 2024, the Group implemented a new strategic framework to ensure sustainable success in a dynamic market environment. This is focused on two key areas that are closely aligned with our long-term growth objectives - growth initiatives for the portfolio businesses (organic growth) and value-enhancing acquisitions (inorganic growth).

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

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

The strategy was borne out of the following Group motivators:

1. Growth through Acquisitions and Internal Development (Buy and Build) - Focus on achieving both sustainable organic and inorganic growth.

2. Strong Cash Flow Generation - Essential to facilitate our Buy and Build strategy.

3. Strategic Acquisitions - Prioritising impactful M&A that maximise value creation for the Group, where possible, creating a "double bump" impact with synergistic benefits.

4. Transparent Shareholder Engagement - We are committed to delivering on our strategy and demonstrating the value proposition to our shareholders.

Acquisitions and divestments

On 3 November 2023, the Group strategically expanded its product portfolio and market reach through a £2.4m acquisition of Peak Sensors, a leading UK manufacturer of temperature sensors. Peak Sensors specialises in a variety of standard and custom-designed thermocouples and resistance thermometers used in diverse industries such as glass, ceramics, waste-to-energy incineration, cement production, and industrial ovens. Located in Chesterfield, UK, Peak Sensors operates from a 5,300 sq. ft facility and employs 14 people. Peak Sensors fits within our acquisition criteria complementing the Group's existing sensor businesses and broadens its presence into new applied markets. Peak Sensors will be operated separately from our existing businesses and we warmly welcome our new colleagues to the SDI Group.

The Group financed the acquisition of Peak Sensors through a combination of existing cash resources and a revolving credit facility with HSBC. The acquired company generated £1m in revenue in 2024 and has enhanced earnings for the Group.

In line with our focus on maximising synergies in operations, revenue, profitability, and markets, we strategically divested Uniform Engineering (acquired by the Group in January 2021) in February 2024.

Acquisitions continue to form a key part of the long-term strategic development of the Group and we operate a continuous process to identify and execute acquisition opportunities. We are currently evaluating a number of transactions with the potential to conclude one or more in the new financial year. The longer-term pipeline is also positive and we will continue to deliver further value-enhancing acquisitions in accordance with our inorganic strategy.

Summary

I am pleased to report these results, delivered despite a challenging macroeconomic backdrop. Our refined strategy to drive organic growth across our portfolio businesses, alongside our proven track record of delivering value-enhancing acquisitions, will strengthen the SDI proposition. With our refreshed management team in place, our strategic review complete and our focus on three distinct and complementary global end-markets, we have in place a stable business from which we are well placed to deliver sustainable growth from a stable base and create value for our stakeholders.

Stephen Brown
Chief Executive Officer
Date: 30th July 2024

New segment structure

The current segment structure, comprising Digital Imaging and Sensors and Control, has been in place since 2019. After a strategic review in 2024, the Board considers this segment structure is no longer appropriate for future needs. The Group has therefore decided to create the following three segments with effect from the start of FY25:

- **Laboratory Equipment**, comprising Safelab Systems, Monmouth Scientific, LTE Scientific and Synoptics;
- **Industrial & Scientific Sensors**, comprising Chell Instruments, Astles Control Systems, Sentek, MPB

Industries and Peak Sensors; and
- **Industrial & Scientific Products**, comprising Atik Cameras, Fraser Anti-Static Techniques, Applied Thermal Controls, Graticules Optics and Scientific Vacuum Systems.

This new segment structure is expected to encourage synergies between Group companies and support portfolio adhesion. The Group will assign existing resources to drive these strategic benefits.

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

Chief Financial Officer's Report for the year ended 30 April 2024
The financial resources to support investment in sustainable growth

Revenue and Profits

SDI Group revenues reduced by 2.7%, from £67.6m in FY23 to £65.8m in FY24. The two acquisitions in the prior year, Fraser Anti-Static Techniques and LTE Scientific (prior to the acquisition anniversaries), together with the new acquisition in FY24, Peak Sensors, contributed £7.3m (10.8%) in additional turnover. Uniform Engineering, which was disposed of at the end of February 2024, contributed £0.5m in revenues over the period.

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. FY23 revenues included £8.5m in relation to this 'one-off' business. Excluding this, the organic revenue decline was 0.5% on a constant currency basis; 0.7% in absolute terms (£0.4m). If the COVID-19 related revenue is included in the comparatives, the organic decline was 13.2%.

Gross profit (on materials only) reduced to £41.6m (FY23: £42.8m) whilst gross margin broadly held at 63.1% (FY23: 63.3%). On a like-for-like basis (including prior year acquisitions from the anniversary of the acquisition), gross margins increased compared to FY23, which was pleasing. Our overheads have reduced on a like for like basis as we looked to control our cost base.

Adjusted operating profit reduced to £9.6m (FY23: £12.8m) being operating profit before share-based payments, acquisition costs, loss on disposal of subsidiary undertakings, reorganisation costs, the impairment charge (in FY23 only) and amortisation of acquired intangible assets, a reduction of 25%. This was caused by the loss of £5.6m in gross margin from the COVID-19 related contract (as noted above) which ended in FY23.

Looking at segment performance, on a reported basis, the Digital Imaging segment was impacted by the non-recurring COVID-19 related revenues and the associated lost gross profit. Atik's largest OEM customer also destocked over the period, reducing revenues by £0.7m. Revenues therefore declined from £20.9m to £11m in FY24 and adjusted operating profit reduced from £6.9m to £2m.

The Sensors and Control segment grew 17.6% from £46.7m to £54.9m. Organic growth was 2%, and the remaining 15.6% growth was from the FY23 acquisitions and the disposal in FY24. Adjusted operating profit grew 17.5% to £9.4m.

There are eleven companies in the Sensors and Control segment and several have made good contributions to the Group this year. Scientific Vacuum Systems ('SVS') is a lumpy revenue business: this year it had a strong sales performance (compared to last year) as it delivered a large project in October and started two others in the second half of the year. Chell Instruments performed well with strong DAQ sales. Safelab Systems delivered several school projects. Monmouth Scientific had a strong second half as it delivered a number of clean rooms. Astles Control Systems and Sentek also delivered revenues and profits which were higher than expected.

Reported operating profit increased to £7.3m (FY23: £6.8m), with the comparatives including a gross impairment charge of £3.5m against the Monmouth and Uniform CGU (see note 11).

Revised segmentation

As noted on page 9, we re-segmented our businesses after the year end as follows:

- **Laboratory Equipment**, comprising Safelab Systems, Monmouth Scientific, LTE Scientific and Synoptics;
- **Industrial & Scientific Sensors**, comprising Chell Instruments, Astles Control Systems, Sentek, MPB Industries and Peak Sensors; and
- **Industrial & Scientific Products**, comprising Atik Cameras, Fraser Anti-Static Techniques, Applied Thermal Controls, Graticules Optics and Scientific Vacuum Systems.

If this segmentation structure had been in place in FY24, the results of the segments would have been as follows:

	2024 Total £'000	2023 Total £'000
Revenues		
Laboratory Equipment	**26,835**	24,898
Industrial & Scientific Sensors	**16,145**	15,835
Industrial & Scientific Products	**22,866**	26,844
Group	**65,846**	67,577

Group	**65,846**	67,577
Adjusted Operating Profit		
Laboratory Equipment	**3,237**	2,359
Industrial & Scientific Sensors	**4,319**	4,367
Industrial & Scientific Products	**3,853**	8,192
Central costs	**(1,832)**	(2,109)
Group	**9,577**	12,809

Re-organisation costs

During the period, the Group incurred £0.3m in one-off costs relating to the departure of SDI's previous CEO. This has been included as a non-recurring item.

Divestment of subsidiary undertaking

On 29th February 2024, SDI divested Uniform Engineering for a nominal sum. This divestment resulted in a loss of £0.2m, which has been classified as a non-recurring item. Uniform recorded a small loss over the ten months to February 2024.

Intangible Assets (excluding R&D)

Intangible assets increased by a net £0.7m from £41.3m to £42.0m at the end of FY24. Gross intangible assets (excluding R&D) grew by £1.8m as a result of the Peak Sensors acquisition. £1.6m of amortisation was charged in the period (FY23: £1.8m) against customer relationships, trade names and other intangible assets. The £1.8m in increased intangible cost was split as follows: £1.1m goodwill and £0.7m customer relationships.

Investment in R&D

Under IFRS we are required to capitalise certain development expenditure, and in the year ended 30 April 2024, £0.8m (FY23: £0.3m) 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 2024 was £0.4m (FY23: £0.5m). The carrying value of the capitalised development at 30 April 2024 was £1.2m (FY23: £0.7m) to be amortised over 3 years.

Interest Payable

Interest charges for the year increased to £1.6m (FY23: £1.0m). 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 £1.4m (FY23: £1.9m) representing an effective tax rate of 24.9% compared to 33.2% in FY23. The effective tax rate for FY23 include one-off factors, specifically the impairment of intangibles not being deductible for tax purposes. The Group continues to benefit from R&D tax credits.

Restatement

In previous years, deferred tax assets and liabilities have been grossed up on balance sheet. These balances have now been netted down by jurisdiction and the comparative numbers have been restated as a result. This has no impact on reported profits or net assets and is a presentational change only. The impact on total assets and total liabilities is shown in note 13.

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

Earnings per Share

Adjusted diluted EPS, an alternative performance measure which excludes certain non-cash and non-recurring expenses was 5.78p (FY23: 9.02p), a reduction of 35.9%. The diluted earnings per share for the Group increased to 4.04p (FY23: 3.72p).

Cash Flow and Working Capital

Cash generated from operations reduced to £9.4m (FY23: £10.9m). This was due to a £2.7m reduction in customer advances and a further £2.5m reduction in other payables offset by a £3.3m reduction in inventories. In total, working capital increased by £2.0m. The £2.7m reduction in customer advances was due to SVS shipping a large piece of equipment during the year (£1.4m). Astles Control Systems saw its customer advances reduce by £0.7m 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.

Taxes paid have increased to £1.9m (FY23: £2.2m). This included £0.2m of FY23 tax relating to acquisitions.

Our investment in fixed assets (excluding for acquisitions) remained similar at £1.2m (FY23: £1.1m).

Acquisition of new businesses remains our largest cash outlay, with £2.4m deployed on a cash-free basis (FY23: £18.7m). A further £1.0m was paid in relation to prior period deferred consideration related to SVS. There was no deferred consideration outstanding at the end of FY24.

Funding

The Group acquired one business over the period, funded through additional debt.

Net debt (excluding lease liabilities), or bank debt less cash, was £13.2m at the end of the year, similar to that at the beginning of the period (£13.3m). This represents a net debt: EBITDA ratio of 1.07x, 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 April 2024, HSBC approved an extension of the repayment date by one year to November 2026. At the end of the financial year the Group had drawn down £14.6m of its revolving credit facility (FY23: £16m), leaving £10.4m in headroom (excluding the additional £5m 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: 30th July 2024

Strategic report - Business Model

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 the lab equipment, industrial & scientific sensors and industrial & scientific products markets. Corporate expansion is being pursued, both through organic growth within its portfolio 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 recent years has been good, with seventeen businesses acquired over the three 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.

Since the year end our current businesses now fall broadly into three segments, which we call Lab Equipment, Industrial & Scientific Sensors and Industrial & Scientific Products, 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 markets.

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 (on materials only), costs, adjusted operating profit, debtor days, months of stock 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 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 2024

	Note	2024 £'000	*Restated 2023 £'000
Revenue	**4**	**65,846**	67,577
Other income		**104**	112
Operating costs	**5**	**(58,660)**	(60,877)
Operating profit		**7,290**	6,812
Net financing expenses		**(1,627)**	(970)
Profit before tax		**5,663**	5,842
Income tax	**6**	**(1,409)**	(1,939)
Profit for the year		**4,254**	3,903
Attributable to:			
Equity holders of the parent company		**4,231**	3,871
Non-controlling interest		**23**	32
Profit for the year		**4,254**	3,903
Statement of Comprehensive Income			
Profit for the year		**4,254**	3,903
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		**(38)**	142
Total comprehensive income for the year		**4,216**	4,140
Attributable to:			
Equity holders of the parent company		**4,193**	4,108
Non-controlling interest		**23**	32
Total comprehensive income for the year		**4,216**	4,140
Earnings per share			
Basic earnings per share	**10**	**4.09p**	3.80p
Diluted earnings per share	**10**	**4.04p**	3.72p

*See note 5

Consolidated balance sheet
As at 30 April 2024

Company registration number: 06385396	**Note**	**30 April 2024 £'000**	*Restated 30 April 2023 £'000	*Restated 1 May 2022 £'000
Non-current assets				
Intangible assets	**11**	**42,040**	41,350	36,035
Property, plant and equipment		**8,219**	8,219	4,074
Right-of-use leased assets		**6,488**	6,469	7,305
Investments in associated undertakings		**-**	24	-
Deferred tax asset		**144**	148	27
		56,891	56,210	47,441
Current assets				
Inventories		**10,577**	13,504	7,273
Trade and other receivables		**12,677**	11,980	7,544

Corporation tax asset		**87**	-	-
Cash and cash equivalents		**1,430**	2,711	5,106
		24,771	28,195	19,923
Total assets		**81,662**	84,405	67,364
Non-current liabilities				
Borrowings	9	**(20,636)**	(21,996)	(10,656)
Provisions		**(245)**	-	-
Deferred tax liability		**(4,841)**	(4,750)	(2,858)
		(25,722)	(26,746)	(13,514)
Current liabilities				
Trade and other payables		**(9,647)**	(15,444)	(16,089)
Provisions		**(22)**	(67)	(163)
Borrowings	9	**(841)**	(745)	(779)
Current tax payable		**-**	(111)	(1,027)
		(10,510)	(16,367)	(18,058)
Total liabilities		**(36,232)**	(43,113)	(31,572)
Net assets		**45,430**	41,292	35,792
Equity				
Share capital		**1,046**	1,041	1,022
Merger reserve		**2,606**	2,606	2,606
Merger relief reserve		**424**	424	424
Share premium account		**10,858**	10,778	9,905
Share based payment reserve		**764**	557	320
Foreign exchange reserve		**143**	181	39
Retained earnings		**29,575**	25,673	21,476
Total equity due to shareholders		**45,416**	41,260	35,792
Non-controlling interest		**14**	32	-
Total equity		**45,430**	41,292	35,792

*See note 13

Consolidated statement of cashflows
For the year ended 30 April 2024

	Note	2024 £'000	2023 £'000
Operating activities			
Profit before tax		**4,254**	3,903
Depreciation		**2,021**	1,941
Amortisation	11	**1,963**	2,315
Finance costs and income		**1,627**	970
Impairment of intangible assets	11	**-**	3,520
Decrease in provisions		**(15)**	(96)
Taxation in the income statement	6	**1,409**	1,939
Employee share-based payments		**128**	351
Operating cash flows before movement in working capital		**11,387**	14,843
Decrease/(increase) in inventories		**3,343**	(2,929)
(Decrease)/increase in trade and other receivables		**(92)**	2,689
Decrease in trade and other payables		**(5,252)**	(3,730)
Cash generated from operations		**9,386**	10,873
Interest paid		**(1,627)**	(970)
Income taxes paid		**(1,925)**	(2,161)
Cash generated from operating activities		**5,834**	7,742
Investing activities			
Capital expenditure on fixed assets		**(966)**	(1,085)
Sale of property, plant and equipment		**144**	84
Expenditure on development and other intangibles		**(820)**	(323)
Payment of deferred consideration		**(961)**	-
Acquisition of subsidiaries, net of cash	12	**(2,386)**	(21,056)
Net cash used in investing activities		**(4,989)**	(22,380)
Financing activities			
Finance leases repayments		**(796)**	(789)

Dividends paid to non-controlling interests in subsidiaries		**(41)**	-
Proceeds from bank borrowing	**9**	**3,700**	15,000
Repayment of borrowings	**9**	**(5,100)**	(3,000)
Issues of shares and proceeds from option exercise		**85**	892
Net cash from financing		**(2,152)**	12,103
Net changes in cash and cash equivalents		**(1,307)**	(2,535)
Cash and cash equivalents, beginning of year		**2,711**	5,106
Foreign currency movements on cash balances		**26**	140
Cash and cash equivalents, end of year		**1,430**	2,711

Consolidated statement of changes in equity
As at 30 April 2024

	Share capital	Merger reserve	Merger relief reserve	Foreign exchange	Share premium	Share based payment reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 April 2023	**1,041**	**2,606**	**424**	**181**	**10,778**	**557**	**25,673**
Shares issued	**5**	**-**	**-**	**-**	**80**	**-**	**-**
Tax in respect of share options	**-**	**-**	**-**	**-**	**-**	**-**	**(249)**
Share based payment transfer	**-**	**-**	**-**	**-**	**-**	**80**	**(80)**
Share based payment charge	**-**	**-**	**-**	**-**	**-**	**127**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners	**5**	**-**	**-**	**-**	**80**	**207**	**(329)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**4,231**
Other comprehensive income for the year: Foreign exchange on consolidation of subsidiaries	**-**	**-**	**-**	**(38)**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**-**	**(38)**	**-**	**-**	**4,231**
Balance at 30 April 2024	**1,046**	**2,606**	**424**	**143**	**10,858**	**764**	**29,575**

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	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476
Shares issued	19	-	-	-	873	-	-
Tax in respect of share options	-	-	-	-	-	-	117
Share based payment transfer	-	-	-	-	-	(114)	114
Share based payment charge	-	-	-	-	-	351	-

Transactions with owners	19	-	-	-	873	237	231
Profit for the year	-	-	-	-	-	-	3,871
Other comprehensive income for the year:							
Actuarial gain on defined benefit pension	-	-	-	-	-	-	95
Foreign exchange on consolidation of subsidiaries	-	-	-	142	-	-	-
Total comprehensive income for the period	-	-	-	142	-	-	3,966
Balance at 30 April 2023	1,041	2,606	424	181	10,778	557	25,673

Notes to the financial information for the year ended April 2024

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 2024, 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 2024 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 2023 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 2023 have been delivered to the Registrar of Companies. The 30 April 2024 accounts were approved by the directors on 30th July 2024 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 FY24 with net debt (excluding leases) of £13.2m compared to £13.3m as at 30 April 2023 and generated free cash flow (before acquisition consideration) of £4.2m (FY23: £6.4m). Free cash flow was lower than FY23 largely due to lower profitability and a £2.7m unwind of previous customer advances received, £1.4m of which was for Scientific Vacuum Systems to build a sputtering machine for a customer. Astles Control Systems saw its customer advances reduce by £0.7m 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. Interest paid increased by £0.7m as interest rates and debt levels were higher over the year. On 30 November 2022, the Group reached an agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. £14.6m was drawn down under this facility at the year end (note 9). In April 2024, HSBC approved an extension of the repayment date by one year to November 2026. 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 30 April 2026, 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), both covenants would come under some (but not severe) 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.

Changes in accounting policies

At the date of approval of these financial statements, certain new standards and amendments to and interpretations of existing standards have been published but are not yet effective. None of these pronouncements have been adopted early by the Group, and they have not been disclosed as they are not expected to have a material impact on the Group's financial statements. Management anticipates that all pronouncements will be adopted for the first period beginning on or after their effective date.

The directors have reviewed the disclosure for the Consolidated income statement and statement of comprehensive income and consider the IAS1 presentation of expenses by nature better reflects SDI's business and hence have adjusted the format accordingly. The prior year has been restated as a result. This is a presentational adjustment only and does not impact on reported profit before tax (see note 5). The effect of the change is as follows:

	As at 30th April 2024			As at 30th April 2023		
	As previously stated	Restated	Difference	As previously stated	Restated	Difference
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	65,846	65,846	-	67,577	67,577	-
Cost of sales	(24,297)	-	(24,297)	(24,810)	-	(24,810)
Gross Profit	41,549	-	41,549	42,767	-	42,767
Other income	104	104	-	112	112	-
Operating expenses	(34,363)	-	(34,363)	(32,547)	-	(32,547)
Impairment of intangible assets	-	-	-	(3,520)	-	(3,520)
Total operating expenses	(34,363)	(58,660)	24,297	(36,067)	(60,877)	24,810
Operating profit	7,290	7,290	-	6,812	6,812	-

There have been no other changes in policies during the year.

3 ALTERNATIVE PERFORMANCE MEASURES

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

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

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

	2024	*Restated 2023
	£'000	£'000
Revenue	**65,846**	67,577
Cost of purchases	**(24,297)**	(24,810)
Gross Profit (on materials only)	**41,549**	42,767

Gross Margin (on materials only)	**63.1%**	63.3%

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

	2024 **£'000**	2023 £'000
Operating Profit (as reported)	**7,290**	6,812
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**128**	351
Amortisation of acquired intangible assets	**1,558**	1,795
Exceptional items		
Reorganisation costs	**447**	-
Impairment of intangible assets	**-**	3,520
Acquisition costs	**155**	331
Total adjusting items	**2,288**	5,997
Adjusted Operating Profit	**9,578**	12,809

Adjusted Profit Before Tax is defined as follows:

	2024 **£'000**	2023 £'000
Profit before tax (as reported)	**5,663**	5,842
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**128**	351
Amortisation of acquired intangible assets	**1,558**	1,795
Exceptional items		
Reorganisation costs	**447**	-
Impairment of intangible assets	**-**	3,520
Acquisition costs	**155**	331
Total adjusting items	**2,288**	5,997
Adjusted Profit Before Tax	**7,951**	11,839

*See note 5

Adjusted EPS is defined as follows:

	2024 **£'000**	2023 £'000
Profit for the year	**4,254**	3,903
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**128**	351
Amortisation of acquired intangible assets	**1,558**	1,795
Exceptional items		
Reorganisation costs	**447**	-
Impairment of intangible assets (net of tax)	**-**	3,441
Acquisition costs	**155**	331
Total adjusting items	**2,288**	5,918
Less taxation on adjusting items calculated at the UK statutory rate	**(462)**	(369)
Adjusted profit for the year	**6,080**	9,452
Divided by diluted weighted average number of shares in issue (note 10)	**105,253,543**	104,799,252
Adjusted Diluted EPS	**5.78p**	9.02p

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

	2024 £'000	*Restated 2023 £'000
Net assets	**45,430**	41,292
Deferred tax asset	**(144)**	(148)
Corporation tax asset	**(87)**	-
Cash and cash equivalents	**(1,430)**	(2,711)
Borrowings and lease liabilities (current and non-current)	**21,477**	22,741
Deferred & contingent consideration	**-**	961
Deferred tax liability	**4,841**	4,750
Current tax payable	**-**	111
Total adjusting items within Net assets	**24,657**	25,704
Net Operating Assets	**70,087**	66,996

*See note 13

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 original equipment manufacturer ("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, Fraser Anti-Static Techniques and Peak Sensors 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.

	2024 Total £'000	2023 Total £'000
Revenues		
Digital Imaging	**10,959**	20,870
Sensors & Control	**54,887**	46,707
Group	**65,846**	67,577
Adjusted Operating Profit		
Digital Imaging	**2,020**	6,873
Sensors & Control	**9,388**	8,045
Central costs	**(1,830)**	(2,109)
Group	**9,578**	12,809
Amortisation of acquired intangible assets		
Digital Imaging	**(183)**	(175)
Sensors & Control	**(1,375)**	(1,620)
Group	**(1,558)**	(1,795)

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.

	2024 Total £'000	2023 Total £'000
Operating assets excluding acquired intangible assets		
Digital Imaging	**7,365**	7,585

Digital Imaging	[illegible]	[illegible]
Sensors & Control	**30,934**	32,155
Central costs	**827**	1,075
Group	**39,126**	40,815
Acquired intangible assets		
Digital Imaging	**4,670**	4,844
Sensors & Control	**36,209**	35,888
Group	**40,879**	40,732
Operating liabilities		
Digital Imaging	**(1,400)**	(1,489)
Sensors & Control	**(7,623)**	(11,024)
Central costs	**(895)**	(2,038)
Group	**(9,918)**	(14,551)
Net operating assets		
Digital Imaging	**10,635**	10,940
Sensors & Control	**59,520**	57,019
Central costs	**(68)**	(963)
Group	**70,087**	66,996
Depreciation		
Digital Imaging	**528**	506
Sensors & Control	**1,487**	1,428
Central costs	**7**	7
Group	**2,022**	1,941

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	**2024**	*Restated 2023
	£'000	£'000
United Kingdom (country of domicile)	**36,809**	35,387
Europe	**12,127**	10,038
America	**8,342**	5,392
Asia	**6,976**	15,255
Rest of World	**1,592**	1,505
	65,846	67,577

*On reviewing the geographical disclosure, we have combined China and Asia (excluding China) which were £8,543k and £6,712k respectively last year.

Revenue by product or service:	**2024**	2023
	£'000	£'000
Instruments and spare parts	**61,046**	63,616
Services	**4,800**	3,961
	65,846	67,577

There was no customer with more than 10% of the revenue in the current year (2023: 12.6%).

Analysis of revenue by performance obligation:	**2024**	2023
	£'000	£'000
Sale of goods, recognised at a point in time	**56,534**	61,490
Sale of services, recognised over time	**4,801**	3,961
Sale of goods, recognised over time	**4,511**	2,126
	65,846	67,577

Non-current assets by location	**2024**	2023
	£'000	£'000
United Kingdom	**56,432**	55,668
Portugal	**581**	701
America	**220**	89
	57,233	56,458

5 OPERATING COSTS

	2024	*Restated 2023
	£'000	£'000
Raw materials and consumables	**24,297**	24,810
Staff costs	**23,184**	21,925
Exceptional items	**-**	3,520
Other administrative expenses	**11,179**	10,622
	58,660	60,877

*The directors have reviewed the disclosure for the consolidated income statement and statement of comprehensive income. We consider the IAS1 presentation of expenses by nature better reflects SDI's business and hence have adjusted the format accordingly. We have also restated the prior year's results. This is a presentational adjustment only and does not impact on reported profit before tax. The exceptional item in the prior year represents an impairment of intangible assets (see note 11).

6 TAXATION

	2024	2023
	£'000	£'000
Current tax charge		
Current year	**1,703**	2,209
Adjustments in respect to prior periods	**25**	(481)
Deferred tax charge		
Origination and reversal of temporary differences	**(234)**	(422)
Adjustments in respect to prior periods	**(85)**	633
Total tax charge	**1,409**	1,939

Reconciliation of effective tax rate	2024 £'000	2023 £'000
Profit on ordinary activities before tax	**5,663**	5,842
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 25% (2023: 19.493%)	**1,416**	1,139
Effects of:		
Permanent differences	**204**	870
R&D expenditure credits	**(258)**	(234)
Adjustments to tax charge in respect of previous periods - current tax	**25**	(481)
Adjustments to tax charge in respect of previous periods - deferred tax	**(85)**	633
Foreign tax credits	**15**	-
Remeasurement of deferred tax for changes in tax rates	**-**	(20)
Movement in tax not recognised	**120**	-
Difference in overseas tax rate	**(28)**	32
	1,409	1,939

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.

7 TRADE AND OTHER RECEIVABLES

	2024	2023
	£'000	£'000
Trade receivables	**10,571**	9,276
Other receivables	**325**	846
Prepayments and accrued income	**1,781**	1,858
	12,677	11,980

All amounts are short-term. All of the receivables have been reviewed for potential credit losses and Expected Credit Loss has been estimated.

8 TRADE AND OTHER PAYABLES

	2024	2023
	£'000	£'000
Trade payables	**3,567**	4,147
Social security and other taxes	**1,250**	1,456
Deferred and contingent consideration	**-**	961
Other payables	**431**	314
Accruals, deferred income and contract liabilities	**4,399**	8,566
	9,647	15,444

Accruals and deferred income includes an amount of £2,085k (2023: £4,811k) in respect of contract liabilities for revenues relating to performance obligations expected to be satisfied within the next 12 months. The contract liabilities balance has decreased during the year as those advanced payments have unwound. A significant amount of the contract liabilities of £4,811k were recognised as revenue during the current year.

During the year, contingent consideration of £961k was paid in relation to the acquisition of Scientific Vacuum Systems Limited and £nil remains outstanding at the year end (2023: £961k).

All amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value.

9 BORROWINGS

Borrowings are repayable as follows:

	2024	2023
	£'000	£'000
Within one year		
Finance lease liabilities	**841**	745
	841	745
After one and within five years		
Bank finance	**14,600**	16,000
Finance lease liabilities	**6,036**	5,996
	20,636	21,996
Total borrowings	**21,477**	22,741

Bank finance relates to amounts drawn down under the Group's bank facility with HSBC Bank plc, which is secured against all assets of the Group. On 1 November 2021 the Group renewed and expanded its committed loan facility with HSBC to £20m, with an accordion option of an additional £10m and with a termination date of 1 November 2024 extendable for two further years. On 30 November 2022, the Group reached an agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise. In April 2024, HSBC approved an extension of the repayment date by one year to November 2026. At the end of the financial year the Group had drawn down £14.6m of its revolving credit facility (FY23: £16m), leaving £10.4m in headroom (excluding the additional £5m accordion option).

10 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 2024	**4,254**	**104,099,565**	**4.09**
Year ended 30 April 2023	3,903	102,761,812	3.80
Dilutive effect of share options:			
Year ended 30 April 2024		**1,153,978**	
Year ended 30 April 2023		2,037,440	
Diluted earnings per share:			
Year ended 30 April 2024	**4,254**	**105,253,543**	**4.04**

[illegible]	[illegible]	[illegible]	[illegible]
Year ended 30 April 2023	3,903	104,799,252	3.72

At the year end, there were 1,421,200 (2023: 587,000) share options which were anti-dilutive but may be dilutive in the future.

11 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 1 May 2023	**21,250**	**2,804**	**25,897**	**2,013**	**51,964**
Adjustments to goodwill	-	-	24	-	24
Additions	-	-	-	820	820
Additions on acquisition	660	10	1,139	-	1,809
Disposals/Eliminations	-	-	-	(298)	(298)
As at 30 April 2024	**21,910**	**2,814**	**27,060**	**2,535**	**54,319**
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)
As at 1 May 2023	**4,593**	**1,537**	**3,206**	**1,278**	**10,614**
Amortisation for the year	1,431	137	-	395	1,963
Disposals/Eliminations	-	-	-	(298)	(298)
At 30 April 2024	**6,024**	**1,674**	**3,206**	**1,375**	**12,279**
Net book value					
As at 30 April 2024	**15,886**	**1,140**	**23,854**	**1,160**	**42,040**
As at 30 April 2023	16,657	1,267	22,691	735	41,350

Capitalised development costs include amounts totalling £550k (2023: £243k) 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:

	2024 £'000	2023 £'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
Scientific Vacuum Systems	**2,734**	2,734
Safelab Systems	**3,561**	3,561
LTE Scientific	**676**	676
Fraser Anti-Static Techniques	**4,849**	4,825
Peak Sensors Limited	**1,139**	-
	23,854	22,691

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.). 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%

market share in their markets. Thereafter, the VIU is based on estimated long-term growth ("LTG") rates of 2% (2023: 2%).

A risk-adjusted, pre-tax discount rate specific to each individual CGU has been calculated and these all ranged between 16.67% and 20.67% (2023: 15.33% to 17%). The pre-tax discount rates have been prepared on a CGU basis given that the CGUs all operate across differing regions, and they all have a different capital structure and fixed asset base.

No impairments have been recognised across any 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.

The average remaining amortisation period of intangible assets excluding Goodwill is 9.3 years (2023: 8.1 years).

12 BUSINESS COMBINATIONS

On 3 November 2023, the Company acquired 100% of the share capital of Peak Sensors 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	10	660	670
Right-of-use assets	183	-	183
Property, plant & equipment	42	-	42
Total non-current assets	235	660	895
Current assets			
Inventories	465	(50)	415
Trade and other receivables	620	-	620
Cash and cash equivalents	98	-	98
Liabilities			
Trade and other payables	(335)	-	(335)
Borrowings - lease commitments	(183)	-	(183)
Deferred tax liability	-	(165)	(165)
Net assets acquired	900	445	1,345
Goodwill			1,139
Consideration and cost of investment			**2,484**
Fair value of consideration transferred			
Cash paid in year			2,484
			2,484

Total cash paid in the year amounts to £2,386k being the cash paid in the year of £2,484k less cash on acquisition of £98k.

Peak Sensors Limited contributed £990k revenue and approximately £124k to the Group's profit before tax for the period between the date of acquisition and the balance sheet date, not including £33k of acquired intangible asset amortisation.

If the acquisition of Peak Sensors Limited had been completed on the first day of the financial year, the additional impact on group revenues for the period would have been £1,350k and the additional impact on group profit would have been approximately £230k, before additional £33k of amortisation expense.

The goodwill of £1,139k arising from the acquisition relates to the 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 16.5% and 15% were selected. After consulting with management to discuss their findings, management were in agreement with the inputs used and results obtained.

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 Peak Sensors Limited before the acquisition completed was to 31 March 2023 and the current financial year has been extended by one month to April 2024 to align with that of SDI Group plc.

13 PRIOR YEAR RESTATEMENT

In prior years, the deferred tax assets and liabilities were shown gross of one another whereas they should have been netted off by jurisdiction. This has been corrected. As a result of this restatement, previously reported non-current assets and total assets for the year ended 30th April 2023 and 30th April 2022 have decreased by £586k and £1,559k respectively and previously reported provisions for liabilities and charges and total liabilities have also decreased by £586k and £1,559k respectively. The previously reported net asset figures for the year ended 30th April 2023 and 30th April 2022 are unchanged. There has been no impact on previously reported profits in either year.

The following table summarises the prior year restatement:

	As at 30th April 2023			As at 1st May 2022		
	As previously stated	Restated	Difference	As previously stated	Restated	Difference
	£'000	£'000	£'000	£'000	£'000	£'000
Deferred tax asset	734	148	586	1,586	27	1,559
Non-current assets	56,796	56,210	586	49,000	47,441	1,559
Total assets	84,991	84,405	586	68,923	67,364	1,559
Deferred tax liability	(5,336)	(4,750)	(586)	(4,417)	(2,858)	(1,559)
Provisions for liabilities and charges	(27,332)	(26,746)	(586)	(15,073)	(13,514)	(1,559)
Total liabilities	(43,699)	(43,113)	(586)	(33,131)	(31,572)	(1,559)
Net assets	41,292	41,292	-	35,792	35,792	-

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