

**COMPANY NUMBER 06385396
SDI GROUP ANNUAL REPORT 2024**

SDI GROUP PLC

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 April 2024**



Company no. 06385396

SDI GROUP PLC

For the year ended 30 April 2024

Company registration number:	06385396
Registered office:	Beacon House Nuffield Road Cambridge CB4 1TF
Directors:	E K Ford (Chairman) S M Brown (Chief Executive Officer) A Sharma (Chief Financial Officer) D F Tilston (Senior Independent Non-Executive Director) L E Early (Non-Executive Director) A J Hosty (Non-Executive Director)
Company Secretary:	A Sharma
Bankers:	HSBC Bank Plc 50 - 60 Station Road Cambridge CB1 2JH
Solicitors:	Birketts LLP 22 Station Rd Cambridge CB1 2JD
Auditor:	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
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SDI GROUP PLC

For the year ended 30 April 2024

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SDI GROUP PLC

Highlights

AIM quoted 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).

Why Invest in SDI?

- **Consistent record of delivery:** five-year CAGR sales and adjusted operating profit growth of 28% and 20.1% respectively.
- **Buy and build model:** Continuing to expand our presence within life sciences, industrial products, and technology markets.
- **Successful track record of M&A:** 17 earnings-enhancing acquisitions successfully completed since 2014
- **Global diversification:** Growing portfolio of diverse and established businesses, trading in multiple sectors and geographies
- **Targeted growth:** Strategic positioning within high-growth sector niches in sustainable markets
- **Decentralised innovation:** Fostering independent and agile operating businesses, enabling freedom to innovate and invest for organic growth
- **Continuous growth loop:** Delivering compounded value through a reinforcing cycle of organic growth initiatives and strategic acquisitions
- **Long-term value creation:** Committed to delivering our strategy for sustainable growth and creating value for our stakeholders.

SDI at a glance

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 Delivery

- 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

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

SDI GROUP PLC

Chairman's statement

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.

SDI GROUP PLC

Chairman's statement

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

SDI GROUP PLC

Strategic report - CEO's Report

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 12, 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.

SDI GROUP PLC

Strategic report - CEO's Report

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%.

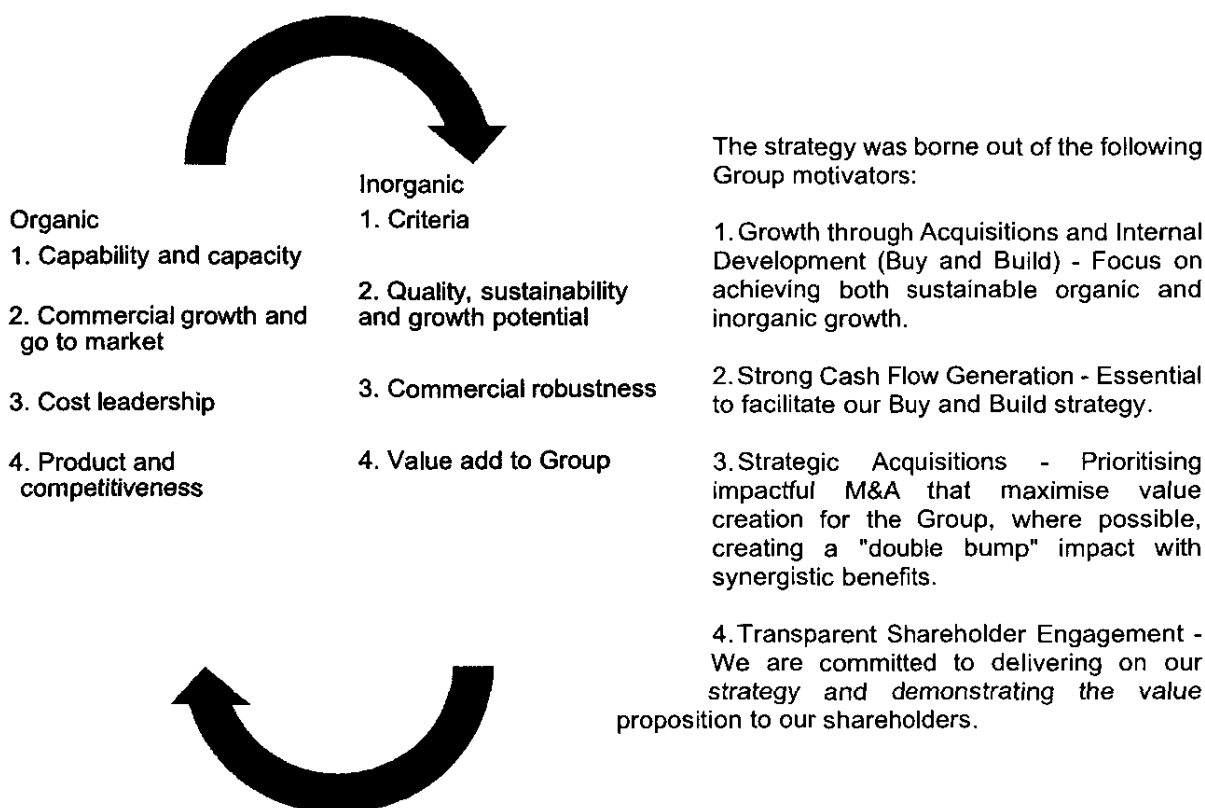
**Analysts from our Broker, Cavendish Capital Markets Limited, and from Progressive Equity Research regularly provide research on the Company, accessible from our website, and the Group considers the average of their forecasts to represent market expectations. Prior to this announcement, FY25 expectations 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.



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.

SDI GROUP PLC

Strategic report - CEO's Report

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

Q&A WITH THE NEW CEO, STEPHEN BROWN

Q1. Tell us about your first few months as CEO.

SDI has delivered a successful buy and build strategy over the last ten years, comprising various businesses in the scientific and technology sector.

Understanding each of the portfolio businesses, developing a clear vision of their strengths, weaknesses, opportunities and market positioning has been a priority. I have been greatly impressed by the business management and dedication of the leaders across the Group. The Group has undergone significant development in the second half of the year by refocusing on our strategic organic priorities and building and developing the senior management team. The combination of innovative products and services supported by strong regulatory and structural growth drivers has defined the SDI opportunity.

In addition, we have focussed on ensuring a robust M&A deal flow of high-quality businesses that will add strong incremental value to the Group. This has been built with a clearly defined inorganic strategy.

Q2 What have been your highlights for the year?

Despite the tougher trading conditions in a number of markets, there have been many highlights this year. Faced with Atik's steep drop-off in COVID-19 related revenues, portfolio businesses such as Scientific Vacuum Systems, Applied Thermal Control, Monmouth Scientific and Safelab Systems (amongst others) stepped up to deliver exceptional performances to mitigate the impact. This is a testament to the strength of our portfolio companies and management.

Q3. Tell us about key growth opportunities. From your portfolio, where do you see the most growth coming from and what is SDI doing to address the opportunities?

With strong management, the current portfolio can deliver sustainable revenue growth. This will however require good practice initiatives. The diverse nature of the SDI portfolio allows us to split our businesses into two types and we can set clear directions for each type. These types are stable businesses which are highly profitable and those businesses which are higher potential growth businesses.

The highly profitable businesses provide consistent cash generation and stable growth but require low levels of management interaction. Stable leadership of these businesses will be supported and their cost base, as well as price increases, will be monitored.

SDI GROUP PLC

Strategic report - CEO's Report

The higher potential growth businesses need to be supported, driven and closely monitored to improve the chances of realising their potential. A continued focus on encouraging entrepreneurial leadership within these businesses is of particular importance, along with maintaining a strong link to the M&A pipeline. We would expect these businesses to be the driver of Group CAGR growth. We have a clear understanding of the businesses in each of these categories; for example, FAST, LTE, Monmouth and Chell would be in the higher growth potential category.

Q4. Do you envisage any change to the strategy given the current balance sheet and what might the type and scale of acquisitions look like going forwards?

In essence, SDI remains a buy and build business but how we do that has been refined. Group strategy is split into two clearly focused areas, organic and inorganic initiatives.

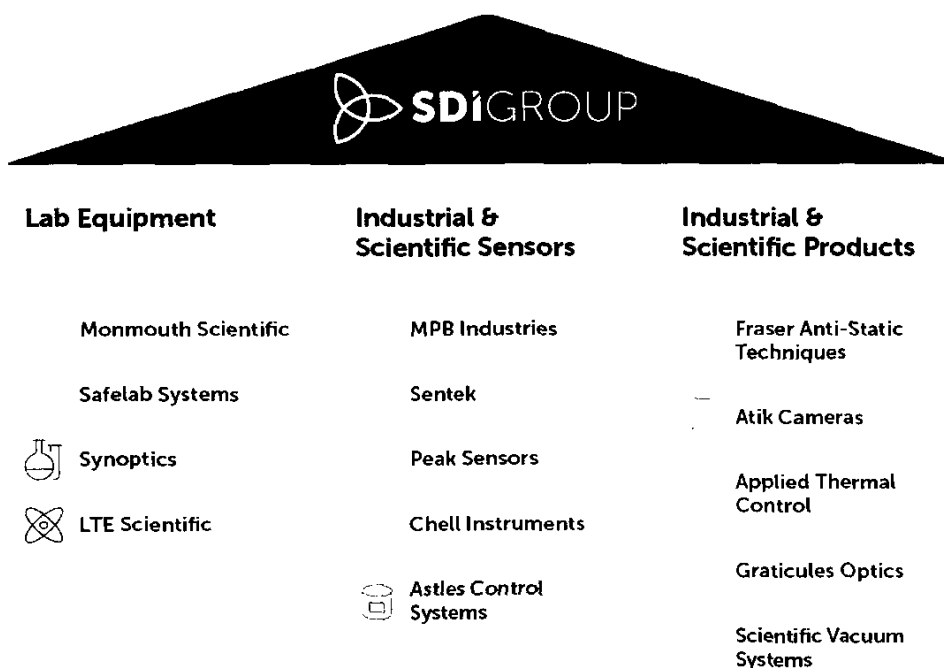
The organic growth strategy will be focused on profitability and cash generation to facilitate further portfolio growth and enable inorganic delivery. The inorganic growth strategy will be focused on delivering impactful acquisitions that meet clearly defined criteria and where possible bring added value to the existing portfolio. *To make an impact to the growing Group, we will be filtering businesses that either give an incremental increase to our EBIT by circa £1m or will combine with an existing portfolio business to drive strong growth.* Clearly acquisition multiples need to be such that strong ROCE is delivered, considering the current cost of debt.

Cash generation has improved over the second half of FY24 and this has continued into the new financial year. At the end of June 2024 our headroom had increased to £11.5m (unaudited) with an additional £5m accordion available to us (at HSBC's discretion). This provides capacity to finance further acquisitions.

SDI GROUP PLC

Strategic report – 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:



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.

SDI GROUP PLC

Strategic report - CFO's Report

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 12).

SDI GROUP PLC

Strategic report - CFO's Report

Revised segmentation

As noted on page 12, 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
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.

SDI GROUP PLC

Strategic report - CFO's Report

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 33.

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).

SDI GROUP PLC

Strategic report - CFO's Report

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

SDI GROUP PLC

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.

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

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Strategic report – Section 172(1) report

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

When making decisions, the directors of SDI Group plc must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006).

The directors are committed to developing the Group to create value for shareholders over the long term and believe that attention to the interests of all stakeholders will provide the best platform for sustained value creation.

Here we provide some detail regarding our engagement with key stakeholders, our understanding of their interests, and our actions and decisions taken which may affect them.

Shareholders and their representatives

SDI Group plc is quoted on the AIM market and has shareholders ranging from investment funds and high net worth individuals to retail investors, directors and employees and former employees. All shareholders are entitled to share equally in the Group's success, and we aim to provide all with the information they need to understand the progress of their investment. We believe that a mixed shareholder base provides benefits to all in maintaining liquidity in the shares.

In addition to public announcements made, directors meet from time to time with some of the Group's larger shareholders and potential shareholders to discuss the state of the Group, usually following annual or interim results announcements and with the presence of our Nominated Advisor. These meetings are important in providing large investors with comfort for their investment decisions and are for many a requirement prior to investing. These meetings may be held face-to-face or by videoconference.

In recent years, we have provided via a videoconference platform the same presentation to members of the public, with the opportunity to ask questions of the presenting directors, and this has enjoyed a good level of attendance. We also welcome requests from all shareholders to speak with directors, and we will usually be able to accommodate that.

These meetings do not give attendees any insider information and presentations made are excerpts from publicly available documents such as this Annual Report.

Directors may occasionally consult with some of our larger shareholders on matters of executive benefits, to ensure that these are aligned with the expectations of the market.

The directors keep the payment of a dividend under review. We are aware that different shareholders (and current non-shareholders) may have different dividend appetites, and we cannot please everyone. Our judgement to date has been that, as a growth company with a track record of creating value through acquisitions, funds were better reserved for investment.

Customers and Suppliers

SDI Group is organised as a constellation of individual operating businesses, each with its own general management, and customer and supplier bases. Our engagement with customers and suppliers generally takes place within those businesses. Some customers and suppliers are common to several of our businesses, although we may deal with different divisions of the same group. The directors encourage our businesses to deal correctly with their customers and suppliers, and to look for long term relationships that can add value to all parties. Our businesses report on key relationships to our executive directors and in their reports to the wider Board, and we look for opportunities to expand our relationships with good customers and suppliers across the Group.

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Strategic report – Section 172(1) report

We have adopted several policies which should enhance the governance around our supply chain. A Group Modern Slavery policy has been approved alongside a Child and Forced Labour policy. The geographic split of our supply chain suggests that the risk profile for such issues is low, but we consider this will improve engagement with our suppliers.

We aim to develop new products and technologies that satisfy future customer needs and provide the highest quality and most reliable products for the markets we serve.

Employees

Our business is built on the hard work, knowledge, skills and experience of staff across the Group. We expect them to go the extra mile in looking after our other stakeholders, and they do so. Our commitment is to look after them fairly, both in economic terms and in providing a stimulating working environment where they can use and develop their capabilities to the full.

Executive directors of SDI Group engage with employees across the Group during regular visits to all locations, and the Board's policy is to rotate its meetings around the locations so that all directors can meet with staff. The Board receives monthly reports from the Group's operating businesses which include sections on staffing matters and reserves specific agenda slots for staff and health and safety matters at each regular meeting.

Key staff remuneration, and remuneration policy for the wider Group, is decided by directors, and our aim is to pay people competitively and provide additional reward for exceptional performance.

The culture at SDI Group, as experienced by our staff, is generally that of a successful small business, which is the recent history of each of our operating businesses. As part of the SDI Group, however, opportunities for career development and learning from other businesses can be enhanced. Staff in our operating businesses are also interested and informed about the activities and performance of the wider Group.

Acquisition Partners

For SDI Group, acquisitions are not one-time events, but a repeatable process. We seek to make the process as easy as possible for sellers and for their advisors to realise their goals. Our management of the businesses post-acquisition is also a key factor in enhancing our reputation as a good acquirer. By treating sellers openly and fairly, and by executing on our commitments, we seek to remain the acquirer of choice for businesses that will fit well into the Group.

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Strategic report – Environmental, social and governance

Maximising Positive Impact

SDI Group is here for the long term. Our directors expect it will long outlast them, and our owners should know that most of its value lies beyond the forecastable horizon. We believe that our business model can progress and develop indefinitely, subject to our nurturing the stakeholders that help make us successful. We would like those stakeholders to remain with us for a long time on our journey.

Consequently, sustainability is not just on our agenda, it is our agenda.

SDI Group recognises that the significant environmental challenges facing the world, including climate change, deforestation and habitat loss, and freshwater depletion, must be addressed by all businesses worldwide. We understand that our trading activities have an environmental impact and that we must make real changes to reduce any negative externalities of our operations.

SDI's current businesses have only minimal direct impacts on the environment, as they are not involved in heavily polluting industries. Furthermore, we do not expect to acquire businesses that have a significant carbon footprint, in keeping with our sustainability agenda. At the same time, we believe that our businesses can and do contribute to reducing society's environmental impact by providing technological products that are more accurate, consume less energy and other inputs, and enable better science than those available in the past. We can be proud of the portfolio, but we must continue to innovate.

In keeping with our devolved operating model, our actions to mitigate negative impacts, maximise positive impacts and innovate solutions to challenges take place within our businesses. These organisations respond to the demands of the markets they operate in, to their customers, their employees and their local communities, all of whom have a stake in a more sustainable future.

FY24 Progress

FY23 was the first year we quantified the Group's emissions (Scopes 1, 2, and key categories of 3). The results were presented to the Group during a comprehensive carbon literacy seminar for SDI management. Our experience of quantifying and aggregating emissions sources across all Group companies suggested that moving forward the most practical approach would be to instead align our GHG reporting to the calendar year.

Annual totals for calendar year 2023 are included in the Climate-related Financial Disclosures ("CFD") report on pages 29 - 30.

The Group has already made significant strides towards social sustainability, with robust terms of employment and systems in place that protect employees' rights and promote their wellbeing. We do, however, acknowledge that we are still at the start of our journey in terms of several areas of environmental sustainability, such as reducing greenhouse gas emissions. The operations of SDI Group's are unlikely to pose significant threats to the environment, but we understand the need for further analysis to better understand and a more refined environmental management framework to mitigate environmental impacts where they do arise.

FY25 Plan

We have started FY25 by analysing all portfolio company ESG risk management processes and conducting a climate-related risk and opportunity analysis. This will enable us to comply with our Climate-related Financial Disclosure requirements and help us to bring our risk management processes and policies in line with best practice, ensuring our strategy is resilient in the long term.

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Given our improved understanding of our environmental impacts, a priority over the coming year will be to further develop our sustainability strategy and set associated targets. Using the 2023 carbon footprint as a baseline, we will perform scenario modelling to analyse different potential pathways to reduce our emissions and consider various policies that will enable us to reach reduction targets. The outputs of these efforts will feed into the creation of a robust long-term net zero strategy.

The Group's ESG position will continue to be a standing agenda item at quarterly meetings of the Board to ensure adequate governance of these issues moving forward.

This strategy will guide us as we compile an action plan to ensure consistent progress in the realm of decarbonisation and improving our environmental performance. We will continue to support all SDI Group subsidiaries with their ESG journeys and seek to further harmonise our approach and policies over the coming years.

People

SDI Group seeks to provide, in its businesses, a challenging, enjoyable, safe and caring environment for its employees, so that they can contribute, develop and remain with the Group for the long term.

Naturally, we comply with all relevant legislation, including:

- Health and safety regulation. The Board reviews monthly reports from all of its businesses to ensure root causes of any issues are addressed (see our Health and Safety policy below).
- Anti-bribery and corruption. The Group operates on an ethical basis in all of its activities and takes all reasonable steps to ensure bribery and corruption are prevented by those working for the Group or associated with it, including third parties and agents. In FY25, the Group will be updating its policy and providing training to relevant employees.
- Equal opportunities. SDI Group is a committed equal opportunity employer. We endeavour to treat all employees equally, fairly and encourage them to apply these principles themselves. We are committed to paying a fair wage for their work. We support staff training, appraisals and personal development and we seek to maintain a good working environment. We use professional advisors to ensure our personnel practices are up to date with legal requirements.
- Disabilities. The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Employees who become disabled are provided, where practicable, with continuing employment under normal terms and conditions and are provided with training and career development where appropriate (see DEI section below).
- Modern slavery and human trafficking. The Group has approved a Child and Forced Labour policy and a Group Modern Slavery policy. Whilst the individual members of the Group are not within the scope of the Modern Slavery Act, we are committed to identifying Modern Slavery risks across our supply chain, which include slavery, human trafficking, child labour and forced/compulsory labour and to ensure that there is no Modern Slavery within its principal supply chains. A training programme will be rolled out to relevant employees.
- We are mindful that the way we operate our existing businesses and treat our employees influences our attractiveness as an acquirer of new businesses and provides a strong differentiator against competing trade or financial bidders.

Diversity, Equity and Inclusion (DEI)

SDI's policy commits SDI to the elimination of unlawful and unfair discrimination and values the differences that diversity brings. The Group will not discriminate because of age; disability; gender; marital status; pregnancy; race religion; sex; sexual orientation.

This policy applies equally to the treatment of any third party who interacts with SDI Group plc.

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Strategic report – Environmental, social and governance

SDI values the diverse nature of people, and the Group has a zero-tolerance policy on harassment and discrimination. We all have a duty to act in accordance with this policy and treat colleagues with dignity at all times. We will not tolerate discriminatory practices or behaviours.

Ethics Policy

Whilst equal opportunities have been long been part of the Group ethos (and included within our staff handbook), SDI has an ethics policy which expects all employees and third parties acting for and on behalf of our Group to observe the highest standards of ethics, integrity and self-respect at all times and for the duration of their relationship with/employment by the Group.

We have considered and discussed our values, for the first time, this year. It is expected that these will be developed further over the forthcoming year.

Health and safety

Health and safety is of high importance to the Group and a key priority for our management teams. Our employees must be and feel safe at work and we therefore aim to provide a safe and comfortable working environment for them. The Group encourages all of its portfolio companies to seek continuous improvement and promote a strong health and safety culture.

The Group routinely monitors health and safety adherence across our businesses. As we operate a decentralised structure, performance is monitored at a Group level with each portfolio company directly responsible for compliance with local health and safety regulations. We have also instituted a Group-wide regular independent health and safety review, which assesses compliance and provides local management with feedback to continually improve health and safety.

Planet

Individual companies have made efforts to minimise their consumption of high-carbon energy. For example, Atik Cameras and Monmouth Scientific have installed solar panels to meet a portion of their energy needs via on-site generation. Astles, Atik Cameras, Fraser Anti-Static, LTE Scientific, Safelab Systems, Sentek, and Synoptics all procure a large proportion of their energy from renewable sources.

We have proactively investigated our businesses' proximity to ecological protection areas and found no risk of potential encroachment.

Many SDI businesses make products that have a positive impact for the environment and society.

Monmouth Scientific's products include fume cupboards which are focused on the recirculation of air in a laboratory by using activated carbon and HEPA filters. These products have low energy demands when compared to traditional fume extraction systems, which often extract pollutants into the atmosphere and necessitate greater temperature control measures as heating / cooling is lost to the outside.

Applied Thermal manufactures and supplies a range of chillers, coolers and heat exchangers used within the scientific instrument support market. Their products have been used to help develop and manufacture vaccines during COVID-19 and are included in MRI machines and equipment that is used for cancer therapy. Applied Thermal's products reduce water consumption, and the company is developing a range of chillers that use refrigerants with much lower global warming potential than conventional alternatives. Applied Thermal's chillers are already designed to a very high standard and do not leak refrigerants.

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Safelab Systems produce fume cupboards that provide a safe environment for lab users. Their products can reduce GHGs via the use of filtered fume cupboards, which recirculate the air back into the room. This also reduces the volume of air ducted out to the atmosphere, reducing the amount of energy needed to air condition the interior spaces.

Atik Cameras has produced a high volume of specialist cameras over recent years that were used in PCR machines. These products were in the vanguard of the battle against COVID-19, particularly in China. Atik produces a variety of specialist cameras that are used in different applications such as sky surveillance equipment to look for sky objects/debris and predicting weather. One particular range of cameras are included within gel-doc machines used in medicine and other life science related research.

Synoptics, based in Cambridge, has a Symbiosis division which designs and manufactures instrumentation for the *Microbiology sector, which allow scientists to rapidly count bacteria to speed up the quality control process in the food and pharma sectors.* The equipment can also be used to measure zones of inhibition which is essential in vaccine production.

The company's Syngene division designs and manufactures molecular imaging equipment (gel-doc machines) that advances molecular science in vaccine research, health and the pharmaceutical sector.

The company's Fistreem division designs and manufactures instrumentation for water distillation. These systems can be used in all industries and cuts down the use of single-use plastics by distilling water on demand.

LTE Scientific produce a range of autoclave ovens, which play a crucial role in healthcare and medical research by providing a reliable method of sterilisation by effectively killing microorganisms and pathogens. LTE's products are used in hospitals, research laboratories, clinics, and dental surgeries to sterilize instruments and supplies. Autoclaves help in areas of scientific research, prevent the spread of infections and improve patient safety. This, in turn, contributes to advancements in scientific development, medical treatments and procedures.

Sentek produce a number of different types of sensors. Products supplied into the medical industry are integral for routine blood analysis work and assist in diagnostics, supporting patient care day to day. Other sensors are used in identifying changes in water quality to help provide clean, fresh drinking water to households. Sentek's products also support pharmaceutical companies as they develop drugs to improve people's lives.

MPB Industries manufacture a range of variable area flowmeters for liquid and gas applications. MPB's flowmeters are used in human and veterinary medical anaesthesia, water treatment to ensure safe drinking water for communities, as well as pollution / air quality measurement.

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Strategic report – Climate-related Financial Disclosures

Introduction

SDI Group recognises the importance of CFD-aligned disclosures to ensure high-quality and decision-useful information that enable users to understand the impact of climate change on the organisation; we have complied with all 8 required CFD disclosures.

Governance

The SDI Group Board holds ultimate responsibility for the management of material risks to the Group; however, it is dependent on the local Managing Director at each company to identify, assess, and manage those risks and opportunities that affect their individual businesses. Material risks and opportunities, regardless of what type, climate or otherwise, are flagged by Managing Directors and considered by the board as and when relevant.

Next steps

We will continue to engage at both Board and Management level on climate-related issues, considering how we can integrate best practice into our internal governance structure and processes.

As part of our ongoing commitment to risk management, we recognise the need to formalise a robust process for identifying, evaluating, and monitoring principal risks and opportunities at the Group level. This will entail establishing clear guidelines and a well-defined schedule for these processes.

Risk management - how the SDI Group identifies, assesses, and manages climate-related risks and opportunities

SDI Group identifies climate-related risks and opportunities and defines materiality based on TCFD guidance. Managing Directors of each portfolio company are responsible for site-specific emerging risks, which, if material, will be assessed and overseen by the board.

Climate-related risks and opportunities are evaluated based on their impact and probability. Impact ratings span five qualitative levels, ranging from Insignificant to Critical. Likewise, probability is categorized into five defined levels, from Rare (with a probability of less than 5%) to Almost Certain (with a probability exceeding 90%). Impact measures the potential harm, encompassing both financial and operational impacts. Overall risk ratings are determined by multiplying impact and probability ratings, as defined in a 5x5 risk matrix below:

RISK CRITERIA

		5 Almost Certain	4 Likely	3 Possible	2 Unlikely	1 Rare
Likelihood	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Critical
		Impact				

The risks associated with climate change fall into two main categories: Physical risks, which pertain to the direct impacts on the environment, and Transition risks, which arise from the shift toward a low-carbon economy. Physical risks can be acute (e.g., floods, heatwaves, storms) or chronic (such as long-term changes in temperature, precipitation, and sea levels). Transition risks encompass factors like emerging regulations, shifts in consumer preferences, and are further categorized as Reputation, Technology, Policy & Legal, or Market related.

These risks are evaluated across the short, medium, and long term, as described in the Strategy section below.

Risk management - how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process

Material risks and opportunities are currently considered at Group level as and when necessary. Being a collection of diverse SMEs, we are naturally resilient to a wide variety of risk types and have not fully formalised processes around risk management. Nevertheless, we recognise the importance of doing so, and the significance of climate-related risks and opportunities specifically. As we improve our identification, assessment, and management processes over time, we will ensure that risks of all types are subject to the same systems of assessment and management guidelines. This will allow for direct comparisons among risks and opportunities and simplify prioritisation and management procedures.

Strategy – principal climate-related risks and opportunities, over what time periods, with a description of the actual and potential impacts

We recently conducted a comprehensive risk and opportunity analysis to identify potentially significant risks and opportunities across short, medium, and long-term horizons. In this context, short-term refers to less than three years, medium-term spans three to ten years, and long-term extends beyond ten years.

The most material risks and opportunities identified are outlined in the table below.

Table 1 Principal Climate-Related Risks and Opportunities

Risk / Opportunity	Category	Likelihood	Impact	Timeframe	Description	Mitigating Factors / Control in Place
Increase in extreme weather events impacting the supply chain (Risk)	Physical - acute	Possible	Moderate	Medium-term	Acute physical events, such as hurricanes or floods, could cause supply chain disruptions, leading to operational delays or cost increases. Those businesses within the group that are more dependent on a regular flow of raw materials and components are more vulnerable to this risk.	In order to optimise supply chain efficiency and enhance resilience, we prioritise sourcing components locally whenever feasible. Additionally, a number of businesses within the Group have implemented a dual sourcing strategy for key components.
Costs of compliance with new climate-related regulation (Risk)	Physical - acute	Possible	Moderate	Medium-term	As the UK endeavors to achieve climate commitments, a variety of environmental regulations in areas such as energy efficiency, the decarbonisation of buildings, and new disclosure requirements have the potential to (directly or indirectly) affect SDI Group, prompting further expenditure on environmental monitoring, management, and decarbonisation initiatives.	To ensure regulatory compliance and sustainable practices, we engage in ongoing monitoring of the regulatory landscape. Additionally, we have established a strategic partnership with Energise (a sustainability consultancy) for ongoing collaboration, guidance, and support.

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<p>Increase in extreme weather events impacting facilities / operations (Risk)</p>	<p>Physical - acute</p>	<p>Possible</p>	<p>Major</p>	<p>Medium to Long-term</p>	<p>Acute physical events such as storms and floods may directly impact SDI Group's facilities and operations. Facilities and distribution networks could be vulnerable to climate-related hazards, which may lead to property damage and operational disruptions.</p> <p>Extreme temperatures pose health and safety concerns to employees and may require investment in increased cooling capacity.</p>	<p>We operate in a geographically diverse area, spanning multiple locations, thus limiting risk exposure. We have diligently secured comprehensive insurance coverage relevant to each location.</p>
<p>Carbon taxes (Risk)</p>	<p>Physical - acute</p>	<p>Possible</p>	<p>Moderate</p>	<p>Medium to Long-term</p>	<p>Rising taxes on fossil fuels and other emission sources will entail direct expenditure increases in areas like transport and heating. Suppliers that rely on fossil fuels will also pass on costs, and inflationary pressure is expected throughout the value chain.</p> <p>Increased costs related to phasing out fossil fuel vehicles and heating systems, and other emission reduction measures are also expected.</p>	<p>We benefit from the ability to pass supplier costs on to our end customers and have cultivated strong relationships with our suppliers, fostering collaboration, reliability, and mutual support.</p>
<p>Economic turbulence, downturns, and stagnation (Risk)</p>	<p>Transition - Market</p>	<p>Possible</p>	<p>Moderate</p>	<p>Medium to Long-term</p>	<p>Second and third order impacts of climate change (such as crop failures, famines, industry collapse, involuntary migration, geoeconomic or geopolitical confrontation, etc.) could result in economic turbulence, stagnation, or prolonged downturns.</p> <p>Significant public investment in adaptation / mitigation measures, or the adoption of a carbon tax, may also drive inflation or result in tighter public budgets (with implications for those companies with significant customers in the public sector).</p> <p>All these factors may result in declines in revenue, investor sentiment, a reduced valuation, or diminishing access to capital.</p>	<p>We maintain a diversified portfolio of companies, which serve diverse customers. These companies operate in high-growth sectors, positioning the group for continued expansion and resilience. We are also able to adjust the composition of the Group in response to changing market conditions.</p>

Resilience from fossil fuel market volatility (Opportunity)	Transition - Resilience	Possible	Moderate	Medium to long-term	Investments in on-site renewables, procurement of PPAs, and the transition to an EV fleet (all potentially facilitated by subsidies and public programs), will build resilience to future carbon taxes and fossil fuel market volatility.	Solar panels have been installed at various sites and we will continue to encourage active investigation of expanding on-site renewables across the Group. A number of companies within the Group already procure renewable energy tariffs.
Increased demand for low-carbon products (Opportunity)	Markets	Likely	Major	Medium to long-term	Societal mitigation and adaptation efforts will result in the expansion of numerous markets that companies within the group can serve. This is driven in part by regulation and in part by shifting consumer preferences.	Several Group companies have identified such opportunities and are capitalizing on them. For example, Sentek Ltd supply environmental monitoring equipment. Increasing requirements for such actions will benefit the company. Atik Cameras has also highlighted the growing market for more resilient outdoor cameras in light of increased incidence of extreme weather. MPB Industries stand to benefit from an expanding regulatory apparatus in the realm of water treatment.
Reputational Impacts of positive climate performance (Opportunity)	Transition - Reputation	Possible	Moderate	Medium to long-term	Cultivating a reputation as a climate leader, with a history of consistent compliance with all relevant regulation, and ambitious goals could lead to reputational gains, business growth, and an ability to attract top talent. As more and more organisations are putting in place sustainability-related procurement requirements, exceptional performance in these areas could lead to preferential treatment by customers.	We are in the process of drafting a robust Net Zero strategy and aim to set a variety of complementary targets in the near term. We will continue to report on progress in the sustainability space in our annual reporting and seek continual improvement.

Impacts on business model / strategy

An awareness of the risks and opportunities described above has shaped several important aspects of SDI Group’s strategic thinking. Principally, an enhanced appreciation of the Transition risks posed to the Group has led to a greater focus on and commitment to improving sustainability performance over time. This has motivated the ongoing programme of works related to defining a Net Zero strategy and increasing the accuracy of our carbon footprint.

Climate-relevant issues are considered with growing frequency at the board level and initiatives, such as installing solar panels, are being undertaken where possible to reduce emissions.

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Strategic report – Climate-related Financial Disclosures

Strategy - An analysis of the resilience of the business model and strategy, taking into consideration of different climate-related scenarios

To enhance our understanding of SDI Group's strategic resiliency in the coming decades, we analysed identified risks and opportunities across various climate scenarios and timeframes. These scenarios (outlined below) were selected to reflect real-world possibilities, which would expose the organisation to varying levels of physical and transition risks across different timescales. The wide variety of scenarios, ranging from a more optimistic early transition with limited temperature increase to a high emissions scenario with more extreme physical impacts, allows us to comprehensively assess potential risks and opportunities, ensuring the strategy's resilience across diverse future eventualities.

Scenario	Description
Early / Smooth Transition	This scenario assumes early, coordinated global action on climate change, limiting GHG concentrations in line with the RCP 2.6 trajectory. Under this scenario, energy prices rise significantly, significant investment is made in new technologies, and consumer preferences change markedly. As a result, warming is limited to under 2° by 2100.
Late / Disruptive Transition	Under this scenario, global climate action is delayed, and therefore more severe. The policy response is more disjointed, allowing emissions to continue to climb in the near-term before sharp reductions are made, partially via the introduction of a stringent carbon taxation regime. Late but forceful action still allows for alignment with the RCP 2.6 pathway and warming limited to under 2° by 2100.
High Emissions Scenario	This scenario assumes that there is no further acceleration of climate action, and GHG concentrations proceed in line with the RCP 8.5 pathway. This results in warming of over 3° by 2100. Transition risk is limited, but physical risks increase sharply.

This analysis yielded several key insights:

- An early / smooth transition would lower the magnitude of most risks in comparison to the other scenarios. In this scenario, SDI Group would be able to engage in forward planning and avail itself of expanding areas of opportunity in a predictable manner. Physical risks would also be minimised, so there would be less chance of direct physical impacts and second-order consequences such as geopolitical conflict in response to major climatic changes. Although some market impacts related to significant government spending and a fast-expanding regulatory apparatus would be expected.
- A delayed / disorderly transition would likely result in the greatest risk exposure for SDI Group. In this scenario, Transition risks are especially material in the medium to long term because new regulation is forcefully and suddenly imposed, increasing the likelihood for more severe economic impacts.
- A high emissions scenario would, predictably, increase exposure to all physical risks. As these are generally not the most material to SDI Group, this scenario would likely be less disruptive than others in certain areas, e.g. the absence of carbon taxation and the attendant economic impacts. In this scenario, it would be most difficult for SDI Group to achieve its own decarbonisation goals, however the potential benefits of doing so would be greater as it would serve to distinguish the organisation from most competitors.

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Strategic report – Climate-related Financial Disclosures

Metrics & targets - A description of the targets used to manage climate-related risks and to realise climate-related opportunities and of performance against those targets and the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based

We recognise the importance of a comprehensive dashboard of indicators that allow us to assess our risk exposure and progress towards targets. We are still early in the journey to fully understand and quantify our various environmental impacts and our exposure to relevant risks and opportunities. However, an accurate GHG footprint (and associated metrics such as the carbon and energy intensity of the Group) is deemed an essential consideration, as it provides perspective on reputational risks / opportunities related to carbon management and gives an indication of exposure to regulatory risks related to emissions, such as carbon taxes. This data additionally yields insights into our potential to avail ourselves of several opportunities, such as leveraging sustainability credentials to win customers or attract talent.

Due to the logistical difficulties of collating GHG data across all the separate entities comprising the Group, the decision was made to align GHG reporting with the calendar year, rather than financial year. As such, 2023 will serve as a base year for future reporting of progress.

Area	KPI	2023	Associated Target
	GHG emissions intensity relative to turnover (Scopes 1, 2 & 3 (Upstream) (tCO ₂ e / FY24 £m)	357.5	To be confirmed this year.
GHG Emissions	GHG emissions intensity relative to turnover (Scopes 1 & 2 (tCO ₂ e / FY24 £m)	22.5	
	Absolute quantities of GHG emissions (tCO ₂ e)	See separate GHG footprint table.	
Energy efficiency	Total operational energy use relative to turnover (MWh / £m)	137.6	To be confirmed this year.
Renewables	Proportion of procured electricity from renewable sources (%)	19.3%	To be confirmed this year.
Waste	Proportion of waste diverted from landfill (%)	85.2%	To be confirmed this year.

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Strategic report – Climate-related Financial Disclosures

As can be seen, associated targets remain to be set in a number of areas – this is a priority in the near term. We will endeavour to set targets that are at once ambitious, but also actually achievable, and therefore do not want to prematurely commit ourselves to a goal that is more aspirational than realistic.

A breakdown of our Scope 1, Scope 2 & 3 (Upstream) emissions is provided below.

Table 2 GHG Emissions by Scope

Scope	tCO ₂ e (Market-Based)	tCO ₂ e (Location-Based)
Scope 1	1,347.4	1,347.4
Scope 2	134.9	229.9
Scope 3	22,058.8	22,058.8
Total	23,541.10	23,636.10

Table 3 Scope 3 Emissions Sources

Category	tCo2e
Category 1: Purchased Goods & Services	17,586.0
Category 6: Business Travel	1,409.2
Category 5: Waste Generated in Operations	1,381.8
Category 2: Capital Goods	1,002.3
Category 7: Employee Commuting (incl. Homeworking)	411.4
Category 3: Fuel and Energy-Related Activities	268.2

Next steps

In the coming years, we plan to expand our analysed metrics, creating an expanded dashboard of indicators that illuminate our risk and opportunity exposure. While we recognize minor gaps in understanding our greenhouse gas (GHG) impacts (e.g., use of sold products), we are also committed to enhancing the accuracy and coverage of our GHG footprint annually.

SDI GROUP PLC

Strategic report – Principal risk and uncertainties

The following represent, in the opinion of the Board, the principal risks and uncertainties of the business. It is not a complete list of all the risks and uncertainties, and the priority, impact and likelihood may change over time.

Acquisitions

Risk status: Unchanged

Acquisitions are a key element of our strategy, and the failure to identify and prosecute acquisition opportunities would impact future growth in profit and share price. The Group spends significant time and energy in identifying acquisition opportunities and receives suggestions from various sources as well as directly or through our own businesses and management. These are carefully filtered, and the most attractive ones are managed to a possible successful conclusion.

An additional important risk is that an acquisition does not provide the financial return expected. The Group's disciplined due diligence process helps to avoid this, but the Group is also able to marshal resources in support of an acquired entity's management team to help them improve performance as necessary.

Dependence on key distributors and OEM customers

Risk status: Unchanged

Failure to effectively manage our distribution channels could damage customer confidence and adversely affect our revenues and profits. Additionally, in several of our businesses, significant amounts of our sales are to a small number of OEM customers, and any reduction in their end product sales or in our share of their purchases would impact our revenues and profits. In order to mitigate this risk the Group dedicates *significant resource to maintaining close relationships with our distributors and OEM customers, including at Group level*, and we aim to provide them with products and service that match their needs.

Competition and technological obsolescence

Risk status: Unchanged

Competition from direct competitors or third-party technologies could impact upon our market share and pricing. In order to mitigate this risk the Group continues to invest in researching its markets and continues to offer new products in response to changing customer preferences. In addition, the Group invests in research and development to maintain its competitive advantage.

Profitability risk

Risk status: Increased

This risk is included for the first time.

Where a portfolio business experiences a decline in profitability without control, the impact on the Group performance needs to be managed. Given the autonomous nature of the SDI model, SDI Group needs to intervene when necessary. The operational skillsets/resource at Group level are considered a mitigation.

Supply chain failures

Risk status: Unchanged

Recent events including Brexit, the COVID-19 pandemic and the Russian invasion of Ukraine have combined to make supply chain robustness a key competitive advantage. There may be further logistical disruptions resulting from the reconfiguration of borders, possibly combined with other supply chain disturbances due to shipping issues and geopolitical events.

The Group has taken appropriate steps to minimise disruption and has cooperated with customers to ensure continuity of their supply chain.

SDI GROUP PLC

Strategic report – Principal risk and uncertainties

Recruitment and staffing

Risk status: Unchanged

If the Group fails to recruit and retain individuals with the appropriate skills and experience its performance may suffer. To ensure the Group retains the highest calibre staff it has implemented a number of schemes designed to retain key individuals, both financial and non-financial, including bonuses and share option schemes.

Currency and foreign exchange

Risk status: Unchanged

As with the majority of international companies, the Group's UK and overseas businesses purchase goods and services and sell some of their products in non-functional currencies. Where possible, the Group nets such exposures or keeps this exposure to a minimum. The Group's principal exposure is to US Dollar and Euro currency fluctuations against Pound Sterling, and in both currencies, we sell more than we purchase and we have a higher level of debtors than creditors. This typically means that a relative devaluation of the Pound results in exchange gains and an improvement in competitiveness, whereas a revaluation has the opposite effects.

We have not historically hedged our exposure using financial derivative products, but we do have some activity in both Europe and USA, including a factory in Portugal, which acts a partial natural hedge. However, we have established a procedure for the approval of simple hedging transactions if conditions require them. We keep cash balances in Euros and Dollars to a minimum and may take out loans under our revolving credit facility in Euros and Dollars, to reduce our net exposure to those currencies. If the Pound strengthens significantly, we will review all opportunities to realign our costs to the changed circumstances.

Cyber

Risk status: Unchanged

Group and operating business management depend critically on timely and reliable information from their IT systems to run their businesses and serve their customers' needs.

If an internal failure or external attack occurs there is a potential for a loss of digital intellectual property/data and/or the ability to operate systems. The resultant loss of information or the ability to continue operations may lead to financial and reputational damage.

The decentralised nature of the Group, including stand-alone IT systems for each business, limits the potential impact to any individual business and minimises cross-contamination risk. There is good support and back-up built into local IT systems.

The Group has also conducted a detailed review of the robustness of cyber security measures for both existing businesses and acquisitions which has resulted in investment in more robust systems and procedures.

Inflation risk

Risk status: Unchanged

Significant or unexpected cost increases by suppliers due to the pass through of higher commodity prices or other price increases, higher trade tariffs and/or foreign currency fluctuations, could adversely impact profits if businesses are unable to pass on such cost increases to customers.

A number of characteristics of the Group's businesses moderate the impact of this. SDI has a variety of businesses which operate in different sectors with different characteristics and across several geographic markets. Many businesses offer specialised products and services, which are often specific to their

SDI GROUP PLC

Strategic report – Principal risk and uncertainties

application, increasing customers' switching costs. Our businesses are often agile, able to redesign to take cost out of the supply chain to help maintain margin.

Group management remain alert to the ongoing nature of this risk.

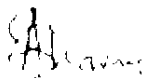
Liquidity

Risk status: Unchanged

Liquidity risk is that the Group might be unable to meet its obligations and arises from trade and other payables. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows.

A review of the Group's exposure to liquidity risk is provided in note 29.

On behalf of the Board



Amitabh Sharma
Chief Financial Officer
Date: 30th July 2024

SDI GROUP PLC

Governance – Board of Directors

Ken Ford **Chairman**

Ken joined the Board in 2010 and became Chairman in 2012. He has been involved in the acquisition strategy of SDI since 2012. He was previously Chief Executive of Teather & Greenwood, the formerly quoted investment bank, and brings over 36 years of City experience to the Company, including a strong understanding of shareholder value, strategic planning and corporate transactions. His previous roles include Morgan Grenfell and Wedd Durlacher. Ken is currently non-executive Chairman of AIM-listed CMO Group plc. He is a Fellow of the Chartered Securities Institute.

Stephen Brown **Chief Executive Officer**

Stephen joined the Board in September 2023 as COO and was appointed CEO in January 2024. He has held a number of senior positions with prestigious global product and technology focused businesses. Recent roles include Group COO at AIM quoted AB Dynamics plc and CEO & Operating Partner at BP Launchpad, part of BP plc. Prior to this, Stephen held multiple leadership roles, including Global Vice President at Romax Technology, R&D Director at Vestas Wind Systems A/S and Technical Director at the Rolls Royce Holdings plc Industrial Power Group. Stephen also held other executive level roles in earlier-stage growth companies. Stephen holds an Honours degree in Mechanical Engineering from the University of Newcastle upon Tyne. Stephen is also a non-executive director at non-listed AltEnergis plc.

Amitabh Sharma **Chief Financial Officer**

Ami joined the Board in August 2022. He has over 30 years' experience in public and private companies of various sizes. Most recently, Ami was Group CFO at FTSE 250 listed Ultra Electronics Holdings plc, an international manufacturing group with a focus in the aerospace and defence market. He was also CFO of Gibbs and Dandy plc, a smaller listed company. Ami has, in the past, held senior finance roles at Senior plc and Saint Gobain Building Distribution and has extensive experience of corporate transactions, driving operational improvements, and raising finance. Ami is also a Non-Executive Director and Audit Chair at premium main market listed Porvair plc. Previously, he was an audit manager with KPMG and is a Fellow of the Institute of Chartered Accountants of England and Wales.

David Tilston **Non-executive, Senior Independent Director, Chair of the Audit Committee**

David joined the Board in July 2017. He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Association of Corporate Treasurers. He has over 30 years' experience in finance functions within public companies including at Group CFO level. He is currently Audit Committee Chairman and a member of the Remuneration Committee at EnSilica plc and Senior Independent Director, Audit Committee Chairman and a member of the Remuneration Committee at Ocean Harvest Technology Group plc, both companies being listed on AIM. David is also Treasurer and Trustee at British Exploring Society, a youth development charity.

Andrew Hosty **Non-executive, Chair of the Remuneration Committee**

Andrew joined the Board in August 2022. He has over 30 years of executive and management experience, spanning private equity, UK Plc and global blue-chip corporates. Andrew was Chief Operating Officer of Morgan Advanced Materials and served on the Plc Board as an Executive Director from 2010 to 2016. He is also a non-executive Chairman of the Rights and Issues Investment Trust Plc, Chairman of Nexeon Ltd, Chairman of mOm Incubators Ltd and Chairman of Kentoeq Ltd. and Chairman of Rheon Labs Limited. Andrew holds a PhD in Materials Science and is a Fellow of the Royal Academy of Engineers.

SDI GROUP PLC

Governance – Board of Directors

Louise Early

Non-executive

Louise joined the Board in February 2023. She has over 25 years of industry experience, including a variety of sales, business development, M&A, product and marketing management roles. Louise is currently marketing and commercial director at Halma plc subsidiary company Navtech Radar Ltd. In addition, she is also currently non-executive director of Halma plc subsidiary company SENSIT Technologies LLC. Previously, Louise held executive and management roles at Crowcon Detection Instruments Ltd and management roles at ACAL Technology Limited, Abacus Polar Limited and Deltron UK Limited. Louise initially studied Engineering and has since complemented this with a CIM postgraduate diploma in Marketing and a MSc in Management. Louise is also a Fellow of the Chartered Institute of Marketing.

SDI GROUP PLC

Governance - Corporate Governance Statement

Chairman's Introduction

As Chairman I am responsible for the leadership of the Board and for ensuring the Board's effectiveness. I also have the responsibility for conducting Board meetings and making sure that there is effective and timely communication to our shareholders. In my role as Chair, I also provide advice, counsel and support to the executive.

The 2018 QCA Corporate Governance Code

The AIM Rule 26 introduced during our 2019 year requires the Group to follow a recognised corporate code of governance. The Board, after due consideration, agreed to follow the 2018 QCA Corporate Governance Code after concluding that it was the one best suited to SDI's business, aims and ambitions. The Board believes that the Group complies with the Code but is committed to continuously improving its governance over time. The new QCA Code (2023) comes into effect for accounting periods commencing on or after 1 April 2024. The QCA has a transition period in place for twelve months from 1 April 2024 to allow companies the flexibility to adjust to the new Code and build the necessary capability to apply its principles. During this transition period SDI will evaluate the necessary changes.

Here we explain how we implement the 10 principles of the QCA Corporate Governance Code in practice.

Principle	Commentary	Further information
1. A strategy and business model which promotes long-term value for shareholders	The Board has a shared view of SDI's purpose, business model and strategy. Our vision is to develop our existing technologies and to grow through strategic acquisitions. We believe that acquiring companies which complement the capabilities within SDI will promote organic growth and give us the opportunity to explore challenges and new markets within the fast-evolving science and technology sectors.	The Strategy section of this Annual Report and our website
2. Understanding and meeting shareholder needs and expectations	<p>Responsibility for shareholder liaison rests principally with our CEO supported by our CFO. However, all our Board members attach a high degree of importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position.</p> <p>The CEO and CFO hold meetings with institutional investors and other large shareholders following the release of the interim and financial results, and in recent years also present to smaller shareholders and the general public using the same material with opportunity to ask questions. Feedback is then provided to the Board. Occasionally institutional investors and other large shareholders will meet the Chair and/or the Senior Independent Director if requested.</p> <p>We regard our Annual General Meeting as a good opportunity to engage directly with shareholders through a question-and-answer session. We provide the market and shareholders with the results of AGM and GM voting via RNS and other communication channels including the Group's website.</p>	Details of all shareholder communications are provided on our website

SDI GROUP PLC

Governance - Corporate Governance Statement

<p>3. Taking account of wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>SDI's vision involves encouraging our portfolio companies work together to help advance medical and scientific knowledge, increase the technical capabilities of industry and ultimately improve the standard of living of the population as a whole.</p> <p>As well as that overarching purpose, the Board recognises that long-term business success relies on good relations with a range of different stakeholder groups both internal and external such as staff, suppliers and customers.</p> <p>We also seek to understand the impact our business activities have on the communities in which we operate and consider our corporate social responsibilities and how these issues are integrated into our long-term strategy.</p> <p>We encourage feedback from all our stakeholders and where appropriate use that feedback to shape our future direction e.g., new methods or product offerings.</p>	<p>The "Section 172" report presented on pages 18 - 19 in this Annual Report provides further information</p>
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>We have addressed the principal risks we face by the appointment of an experienced executive team supported by experienced non-executive directors and a team of appropriately qualified professional advisers.</p> <p>Our executive directors are closely involved in the day-to-day operations of the Group and of our operating subsidiaries and report to the board in detail at regular intervals. Relevant papers are distributed to members of the board in advance of board and committee meetings. Detailed financial reports of the Group's financial performance are also provided on a regular basis.</p> <p>Our directors' knowledge and understanding of the Group is further enhanced by on-site visits to operational units; directors also receive presentations from senior management on the performance and strategies of their business units.</p> <p>We have included in our strategy meetings with our operating subsidiaries a specific agenda item on risk management, to understand individual business risks and to confirm appropriate mitigating actions.</p> <p>Directors also have the contractual right to take independent professional advice on any matter - at SDI's expense - if they deem it necessary in order to carry out their responsibilities.</p>	<p>The Principal Risks and Uncertainties section of this Annual Report sets out some of the principal risks and uncertainties faced by the Group</p>

SDI GROUP PLC

Governance - Corporate Governance Statement

<p>5. Maintaining the board as a well-functioning, balanced team led by the Chair</p>	<p>Our Board consists of two executive directors (CEO and CFO) together with the Chairman and three independent non-executive directors. We believe this to be a good balance for a business of our size. Due to their working backgrounds and professional experience the non-executive directors provide a solid foundation for good corporate governance for the Group. They are also independent of management and ensure that no individual or group dominates the board's decision-making process.</p> <p>To ensure the Board functions well, our non-executive directors are requested to attend board and committee meetings during the year. They are also required to be available at other times between meetings when necessary for face-to-face and phone/web meetings. We also hold an annual strategy meeting at which directors' attendance is mandatory. Each non-executive director must demonstrate that they have sufficient time to devote to our business.</p> <p>To support the Board, we have put in place Audit, Remuneration and Nomination Committees all of which have agreed formal terms of reference.</p>	<p>Biographies of the Directors are presented on pages 34 - 35 in this Annual Report and on our website</p> <p>Reports of the Board committees are also presented on pages 42 - 44 in this Report</p>
<p>6. Ensuring the directors have the necessary up-to-date experience skills and capabilities</p>	<p>Our directors have been chosen because of the skills and experience they offer. Of our six directors one is female and five are male. All have listed company experience and one was the CEO of an investment bank, one was a COO of a listed business, one has significant marketing and commercial experience and three are accountants.</p> <p>Our directors attend industry and regulatory learning and networking events to keep up to date with relevant developments.</p>	<p>Biographies of the Directors are presented on pages 34 - 35 in this Annual Report and on our website</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>We undertake regular monitoring of personal and corporate performance. The responsibility for assessing and monitoring the performance of the executive directors lies with the independent non-executive directors.</p> <p>Agreed personal objectives and targets are set each year for the executive directors and performance measured against these metrics.</p> <p>A formal board evaluation process is expected to take place in the next financial year. The process will be led by our chairman assisted by the Chair of the Nominations Committee and required directors to answer a set of questions setting out their views on the effectiveness of the Board and on the value of their board contributions. The results of that assessment process will then be used by the Chairman to facilitate discussions with each individual director and with the Board as a whole. The questions were based around issues arising from the ten principles of the QCA Code and the results have assisted in continuing our focus on strategy and risk management.</p>	

<p>8. Promote a corporate culture that is based on ethical values and behaviours</p>	<p>We believe it is the responsibility of the Board and senior leaders to ensure that the culture of our organisation is based on ethical values and behaviours. As well as leading by example, our ethics-based culture is promoted through our business behaviours, decisions, processes and operations, as well as the management of the risk of ethical misconduct.</p> <p>In addition, we have mechanisms to support high ethical standards - e.g., for raising concerns and reporting misconduct. We also aim to include ethical criteria in recruitment and in performance appraisals and have detailed policies relating to important issues such as discrimination, harassment, bribery and corruption, and conflicts of interest. We expect all our staff to adhere to these high standards.</p> <p>We are keen to invest in our people not just our companies. With that in mind we seek to make our workplaces a better environment and to encourage all our staff to undergo relevant training and development.</p>	
<p>9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board</p>	<p>Our non-executive directors scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance.</p> <p>The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.</p> <p>To achieve this aim the Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements.</p> <p>Other responsibilities are delegated to the Board Committees, being the Audit, Remuneration and Nomination committees, which as explained in section 5 above operate within clearly defined terms of reference, and which report back to the Board.</p>	<p>Reports of the Board committees are also presented on pages 42 - 44 in this Report</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>We have set out in section 2 above how we maintain a regular dialogue with our shareholders including welcoming all shareholders to our AGMs.</p>	<p>Further information and the resolutions put to a vote at annual general meetings can be found on our website</p>

The Board

The Board comprises the Chairman, two Executive Directors and three Non-Executive Directors. The Non-Executive Directors are considered to be independent, provide a solid foundation for good corporate governance for the Group, and ensure that no individual or group dominates the Board's decision-making process. The Non-Executive Directors are independent of management. Each Non-Executive Director must continue to demonstrate that they have sufficient time to devote to the Company's business and attendance at Board and Committee meetings is summarised later in this report.

SDI GROUP PLC

Governance - Corporate Governance Statement

The Non-Executive Directors constructively challenge and assist in developing the strategy of the Group using their experience and knowledge of acquisition targets and fundraising. They scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance. The Board is provided with regular and timely information on the financial performance of the Group as a whole, together with reports on trading matters, markets and other relevant matters.

There are clearly defined roles for the Chairman and CEO. The Chairman is responsible for leadership of the Board, ensuring effectiveness of the Board in all aspects, conducting Board meetings and the effective and timely communication of information to shareholders. The Chairman is able to provide advice, counsel and support to the Chief Executive. The Chief Executive has direct charge of the Group's day-to-day activities and sets the operating plans and budgets required to deliver the agreed strategy. The Chief Executive is also responsible for ensuring that the Group has in place appropriate risk management and control mechanisms.

The Board is collectively responsible for the performance of the Group and is responsible to shareholders for proper management of the Group. A statement of Directors' responsibilities is given on pages 49 - 50 and a statement on going concern is given on page 52.

The Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements. Other responsibilities are delegated to the Board Committees, being the Audit, Remuneration and Nomination committees, which operate within clearly defined terms of reference, and which report back to the Board.

Relevant papers are distributed to members in advance of Board and Committee meetings. Directors' knowledge and understanding of the Group is enhanced by visits to the operations and by receiving presentations by senior management on the results and strategies of the business units. Directors may take independent professional advice on any matter at the Company's expense if they deem it necessary in order to carry out their responsibilities. The Company has secured appropriate insurance cover for Directors and Officers.

Board Committees

The following committees deal with specific aspects of the Group's affairs.

Audit Committee

The Audit Committee, which is chaired by David Tilston and has Andrew Hosty and Louise Early as other members, meets not less than twice annually and more frequently if required.

The Board considers that David Tilston has recent and relevant financial experience and an understanding of accounting and financial issues relevant to the industries in which SDI Group operates. The Committee provides a forum for reporting by the Group's external auditors. Where appropriate meetings are also attended by the Chairman and executives at the invitation of the Committee.

A report of the Audit Committee is provided on pages 42 - 43.

Remuneration Committee

A report of the Remuneration Committee and the Directors' remuneration report can be found on pages 44 - 47.

SDI GROUP PLC

Governance - Corporate Governance Statement

Nomination Committee

This Committee is chaired by Ken Ford and has David Tilston, Andrew Hosty and Louise Early as its other members and meets at least once per annum. Where appropriate meetings are also attended by the CEO and the CFO at the invitation of the Committee.

The Nomination Committee focuses on evaluating the board of directors, examining the skills and characteristics which are needed in board candidates, and on succession issues. The Nomination Committee met to recruit a new Chief Executive Officer to replace Mike Creedon, who left during the year.

The Nomination Committee continued to assist the Chairman with the board evaluation process as set out in Principle 7 of our Governance Statement above.

Attendance at Board and Committee meetings

The members' attendance at Board and Committee meetings during the year is disclosed in the table below. Ken Ford retired from the Remuneration Committee at the start of the year.

	Board	Audit	Remuneration	Nomination
K Ford	11/12	-	-	1/1
M Creedon*	8/8	-	-	-
S Brown**	8/8	-	-	-
A Sharma	12/12	-	-	-
D Tilston	11/12	6/6	4/5	1/1
A Hosty	12/12	6/6	5/5	1/1
L Early	11/12	5/6	5/5	1/1

* Left during the year, attendance until his date of leaving

**Attendance since joining the Board

Conformance with best practice

The Board has reviewed its composition against certain non-statutory "best practice" guidelines and makes the following observations:

That the Company Secretary should not be an executive director

The Board members have significant external board of directors' experience and are aware that they may seek independent professional advice at the company's expense to discharge their duties. The Board believes that the company is currently best served by combining the roles of CFO and Company Secretary, in the interests of efficiency and cost. This is, however, in the process of being re-evaluated.

The Board expects to keep any such matters under at least annual review.

SDI GROUP PLC

Governance - Report of the Audit Committee

I am pleased to present the Audit Committee report for the year ended 30 April 2024.

Composition of the Committee

The Committee consists of myself (as Chairman), Andrew Hosty and Louise Early. The Chairman, Executive Directors and Group Financial Controller may be invited to attend Committee meetings if required. During the year, the Committee met four times, to approve the audit plan, review the audit conclusions and interim findings and to consider other matters delegated to the Committee. The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a Chartered Accountant; I have served as Group Finance Director in several quoted companies and am Audit Committee Chairman of two other AIM-listed companies. I report the Committee's activities at Board meetings and the minutes of each meeting are made available to all members of the Board. The Committee has completed a self-assessment exercise on its effectiveness using externally sourced material.

Responsibilities

The Committee's main duties are to:

- ensure the integrity of the financial statements (including annual and interim accounts and results announcements);
- review significant financial reporting judgements and the application of accounting policies thereon;
- ensure the Annual Report and Accounts are fair, balanced and understandable and recommend their approval to the Board;
- manage the relationship with the Group's external Auditor and review their suitability and independence;
- negotiate and approve the external Auditor's fee, the scope of their audit and terms of engagement;
- advise on the appointment of external Auditors and to review and monitor the extent of the non-audit services undertaken by the Group's external Auditor;
- review of the risk management and internal control systems;
- review the assessment of going concern; and
- assess the need for an internal audit function.

Appointment of PKF Littlejohn LLP as external Auditor

The company undertook an audit tender process during the year to replace the previous external auditor Grant Thornton, who had held that role since the Company's incorporation in 2007. Three firms were approached for tenders, with two finally presenting to the Committee who then made a recommendation to the Board. The Board accepted the Committee's recommendation that PKF Littlejohn LLP should be appointed as external auditor to the Group.

The Committee monitors the relationship with its external auditor to ensure that auditor independence and objectivity are maintained. As part of its review the Committee has established a policy in respect of the provision of non-audit services by the external auditor which it monitors.

Audit process

The external auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, specific areas of risk to target and the audit timetable. This plan is reviewed and agreed in advance by the Committee. Following completion of audit fieldwork, the auditors presented their findings to the Committee and discussions were held regarding the significant risks identified, specifically fraud in revenue recognition, carrying value of intangible assets, acquisition accounting, valuation of Investment and intragroup receivable, acquisition accounting and management override of controls. Other risks were assessed but not deemed significant.

Internal audit

At present the Group does not have a formal internal audit function and the Committee will keep this matter under review as the Group's activities expand.

SDI GROUP PLC

Governance - Report of the Audit Committee

Risk management and internal controls

The Corporate Governance Statement on pages 36 - 41 explains the measures taken to embed effective risk management throughout the Group which is dependent upon the close involvement of the executive directors in the day-to-day operations of the Group, the strength of portfolio company management teams and reporting from the operating subsidiaries. During the year the Group has instigated an internal financial control self-assessment process at portfolio company level, facilitated by an external professional firm, in order to provide greater confidence around internal financial controls operating across the decentralised group. In addition, a review of evolving risks now forms part of the regular portfolio companies operational reviews.

The Committee is responsible for reviewing the risk management and internal control framework as it continues to evolve and ensuring that it operates effectively. The Committee has reviewed the framework by (a) receiving papers and discussing oversight practices with the Group CEO, Group CFO and Group FC (b) receiving a report from the external auditors on observations made during their audits of operating subsidiaries and (c) reviewing feedback from the self-assessment process and determined that it remains appropriate for the Group's current scale of operations.

David Tilston
Audit Committee Chairman
Date: 30th July 2024

SDI GROUP PLC

Governance - Report of the Remuneration Committee

On behalf of the Remuneration Committee ("the Committee"), I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2024.

This report is divided into three sections, being:

- This **Annual Statement**, which summarises the work of the Committee and remuneration outcomes for 2024;
- The **Remuneration Policy Report**, which summarises the Company's Remuneration Policy; and
- The **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in the year ended 30 April 2024.

Remuneration Committee

The Committee is chaired by myself with David Tilston and Louise Early as its other members. Other regular attendees, at the invitation of the Committee, include the Chairman, the CEO and the CFO.

We meet as a Committee at least two times every year. In 2024 we met five times, and our role is to determine the Group's policy for executive remuneration and the individual remuneration packages for executive directors together with other designated senior management. A particular function of the Committee is the approval of all awards of share options to directors and staff. The Committee's terms of reference are available on the Group's website.

Following the departure of Mike Creedon, Stephen Brown was appointed to the role of CEO. As a result, his remuneration was updated in FY25 to reflect his new role and responsibilities. The details of the remuneration packages for the CEO and CFO are set out in the Directors' remuneration report on pages 45 - 47.

Directors' Remuneration in respect of the year ended 30 April 2024

- In respect of Executive Director salary levels, Stephen Brown received a salary of £260k and Ami Sharma received a salary of £244,000 (increased from £235k in the year).
- Pension provision was capped at 5% of salary.
- The annual bonuses of £46k and £37k were awarded to the CEO and CFO respectively for the year ended 30 April 2024. Awards reflected performance against the personal objectives that were set at the start of that financial year although following an assessment of performance by the Committee, it determined that 100% of the bonus awards should be deferred into SDI shares for 3 years.
- During the year, no directors exercised options over the Ordinary shares of the Company realising no gain on exercise.
- The Chairman's fee was £70k and Non-Executive Director fee levels were £40k.

Andrew Hosty
Chairman, Remuneration Committee
Date: 30th July 2024

SDI GROUP PLC

Governance - Directors' Remuneration Report

Remuneration Policy Report

Executive Director Remuneration Policy

In setting the Group's remuneration policy, the Committee considers a number of factors including:

- Salaries and benefits available to executive directors of comparable companies;
- The need to both attract and retain executives of appropriate calibre; and
- The continued commitment of executives to the Group's profitable growth and sustainable development through appropriate incentive schemes.

Consistent with this policy, the benefit packages awarded to our executive directors comprise a mix of basic salary and performance-related remuneration aimed at incentivising executive behaviour to achieve the Group's goals. We are keen to ensure that the package is simple and straightforward so that there is a clear link between Group performance and executive remuneration.

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base Salary	To ensure that the Company can recruit and retain high-quality executives to deliver on the Company strategy in the interest of the shareholders.	Executive directors base salaries reflect the responsibilities and the skills, knowledge and experience of the individual and the complexity of the role	Not applicable.	Not applicable.
Benefits	To provide a market-competitive package.	Offered in line with market practice and may include life assurance and private medical insurance.	Not applicable.	Not applicable.
Pension	To provide an appropriate level of benefits that allow for retirement planning.	Group contribution into a personal pension scheme (or by means of a cash alternative, provided there is no additional cost to the Company).	5% of salary.	Not applicable.
Annual Bonus	To reward performance against annual targets which support the strategic direction of Group.	The Committee sets annual performance targets. The Remuneration Committee reserves the right to settle the bonus in cash and/or deferred shares.	100% of salary for FY24.	Sliding scale financial and/or non-financial/strategic/personal targets.
LTIP	To drive and reward the achievement of longer-term objectives to deliver sustainable earnings growth. To support the retention and promote share ownership for Executive Directors.	Nominal (or nil) cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards are subject to malus/claw back provisions at the discretion of the Committee.	100% of salary for FY24.	Performance metrics may be linked to financial and/or share price and/or strategic performance.

The CEO and CFO are engaged under separate contracts which require a notice period of six months given at any time by the Group or the individual. The service contracts with S Brown dated 9 August 2023 and with A Sharma dated 8 August 2022 include a notice period of six months if given by either party.

SDI GROUP PLC

Governance - Directors' Remuneration Report

Non-Executive Director Remuneration Policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base Salary	To attract Non-Executive Directors with relevant experience and skills to oversee the development and implementation of the Group's strategy.	Fees are normally reviewed annually considering the level of responsibility, relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are normally paid in cash. Travel and other reasonable expenses incurred while performing their duties may be reimbursed. Non-Executive Directors may also receive pension contributions.	There is no prescribed maximum. The Board is guided by general increase in the market for Non-Executive Director roles and the broader employee population.	Not applicable. Non-Executive Directors do not participate in variable pay arrangements.

The Chairman and the non-executive directors are engaged under service contracts each of which provide that notice of three months can be given at any time by the Group or the individual.

SDI GROUP PLC

Governance - Directors' Remuneration Report

Annual Report on Remuneration

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

					2024	2023 ³
	Salary / Fees ¹	Bonus	Taxable Benefits	Pension ²	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
K Ford	70	-	-	-	70	69
S Brown****	154	46	-	5	205	-
M Creedon**	238	-	2	11	251	515
D Tilston	40	-	-	-	40	39
A Sharma***	243	37	1	10	291	310
A Hosty	40	-	-	-	40	29
L Early	40	-	-	-	40	10
Former						
Directors						
I Napper*	-	-	-	-	-	10
J Abell*	-	-	-	-	-	60
Total	825	83	3	26	937	1,042

*Resigned during the previous year

**Resigned during the current year

***Appointed during the previous year

****Appointed during the current year

1. Salary/fees are shown before salary sacrifice of 5%

2. A Sharma is paid a 5% cash allowance in lieu of pension contributions

3. We have stated the prior year figures to ensure they are presented in a consistent manner with this year, as explained below.

Consistent with best and market practice, the annual bonus presentation has been revised to present bonus awards on an accruals basis, rather than the paid basis adopted in prior years.

The bonus award for the year ended 30 April 2024 reflects performance against the personal objectives that were set at the start of that financial year. Following an assessment of performance by the Committee, it determined that 100% of the bonus awards should be deferred into SDI shares for 3 years.

During the year, no directors (2023: 2 directors) exercised options over the Ordinary shares of the Company realising no gain on exercise (2023: £703k).

Board changes

Mike Creedon left the Group on 19 January 2024. His settlement included £225,000 in respect of termination payments (this includes £75k in compensation for loss of office) and he retained the following options which will vest at the normal vesting dates subject to time pro-rating and performance assessment:

Grant date	Vesting date	Number of shares under option	Scheme	Date exercised
June 2017	June 2020	260,600	Unapproved options	April 2024
February 2020	February 2023	210,682	LTIP	April 2024
October 2021	October 2024	62,820	LTIP	-
October 2022	October 2025	179,622	LTIP	-

SDI GROUP PLC

Governance – Director's Report

Directors' beneficial interests

Directors' beneficial interests in shares in the Company are set out below:

	2024 Number	2023 Number
K Ford	905,217	885,217
S Brown**	25,573	-
M Creedon*	-	351,372
D Tilston	100,000	100,000
A Sharma	28,762	12,197

None of the Directors had or has an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings. Directors' beneficial interests in share options in the Company are set out below:

	2024 Number	2023 Number
K Ford	175,835	175,835
S Brown**	250,000	-
M Creedon*	-	713,724
A Sharma	411,056	211,056

*Resigned during the current year

**Appointed during the current year

Share Awards

Awards under the scheme in previous years have been made in December 2018, March 2020, October 2021 and October 2022. Under the terms of the grant, a proportion of the options will vest after three years, depending on a) the ranking of Total Shareholder Return (TSR) to Group shareholders compared with a basket of twenty comparator companies, and b) the earnings per share growth for the Group over the three-year period.

An LTIP award was made on 22 February 2024 with performance conditions as follows: 50% based on achieving adjusted fully diluted Earnings Per Share within a range for the year ending April 2026 (assessed on a straight-line basis within this range) and 50% on the total shareholder return over three years compared with a basket of twenty comparable companies.

Subject to the rules of the LTIP, vesting is on the third anniversary of the date of grant, to the extent that the performance conditions are met, with a minimum holding period of four years including the vesting period. The exercise price for these options is 1p each, being the nominal value of SDI shares.

The directors participating in the scheme at the date of this report and their maximum respective entitlements under the scheme to shares in SDI Group plc are as follows:

	22 February 2024 award	Total awards
K Ford	-	175,835
S Brown*	250,000	250,000
A Sharma	200,000	411,056

*Appointed during the year

The 2024 awards were granted significantly below the normal 100% of salary award levels. Based on the closing share price of 70p on 22 February 2024, the awards equated to 67% and 57% of annual salary for the CEO and CFO respectively.

SDI GROUP PLC

Governance – Director's Report

The above table is a subset of the share option table on the previous page. The market price of the company's shares at the end of the financial year was 54.5p and ranged from 54p to 176p during the year. The exercise price of the ordinary options ranges from £0.230 to £1.740, and of LTIP options is £0.010.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report comprising Directors' Report, Strategic Report, Governance Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the consolidated financial statements in accordance with UK adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and have elected to prepare separate parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS101 Reduced Disclosure Framework). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS for the parent company have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SDI GROUP PLC

Governance – Director's Report

To the best of our knowledge:

- the group financial statements, prepared in accordance with UK adopted international accounting standards and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole; and
- the group financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Group Results

The Group's profit for the year after taxation amounted to £4.3m (2023: £3.9m) and has been transferred to reserves.

All KPIs and risks are disclosed in the Strategic Report on page 17 and page 31 respectively.

During the year, as part of our cash management processes from 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.

SDI GROUP PLC

Governance – Director's Report

Directors

The directors who served during the year are set out below.

K Ford
M Creedon (resigned 19 January 2024)
S Brown (appointed 29 September 2023)
A Sharma
D Tilston
A Hosty
L Early

The interests of the directors and their families in the share capital of the Company are shown in the Directors' remuneration report on pages 45 – 47. The appointment and replacement of directors of the Company is governed by its Articles of Association and the Companies Act 2006. The Articles of Association may be amended by special resolution of the shareholders.

The Company must have a minimum of two directors holding office at all times. There is no maximum number of directors. The Company may by ordinary resolution, appoint any person to be a director. The Board may appoint a person who is willing to act as director, either to fill a vacancy or as an addition to the Board. A director appointed in this way may hold office only until the dissolution of the next Annual General Meeting unless he or she is reappointed during the meeting.

Directors' indemnities

The directors have the benefit of an indemnity from the Company in respect of liabilities incurred as a result of their office. This indemnity is provided under the Company's Articles of Association and satisfies the indemnity provisions of the Companies Act 2006. The Company has taken out an insurance policy in respect of those liabilities for which the directors may not be indemnified. Neither the indemnity nor the insurance provides cover in the event that a director is proved to have acted dishonestly or fraudulently.

Power Of Directors

The directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Memorandum and Articles of Association.

At the Annual General Meeting held on 29 September 2023, the directors were given the power to:

- Arrange for the Company to purchase its own shares in the market up to a limit of approximately 10% of its issued share capital;
- Allot ordinary shares up to an aggregate nominal value of £343,365;
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £104,050.

We have reviewed the latest Pre-Emption Group Statement of Principles 2022 in preparation of the forthcoming AGM expected to be held on 26 September 2024. In line with the latest Statement of Principles, the directors will be seeking shareholder approval to:

- Arrange for the Company to purchase its own shares in the market up to a limit of approximately 10% of its issued share capital;
- Allot ordinary shares and disapply the statutory pre-emption rights in accordance with the latest Investment Association Share Capital Management Guidelines published in February 2023 and Pre-Emption Group Statement of Principles.

SDI GROUP PLC

Governance – Director's Report

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within this Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 63 - 67.

The Group ended FY24 with net debt 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 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 23). 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.

Post Balance Sheet Events

There are no events to note.

Research And Development

Each of the Group's businesses devotes appropriate resources to maintaining and expanding its competitive position by researching and developing new products and processes as well as updating existing products. 46 employees were employed for development activities in the year (2023: 49). Research and development spend in the year amounted to £1.8m, of which £0.8m was capitalised, compared to £1.5m in the previous year, of which £0.3m was capitalised.

Future Development

The directors expect that the Group will continue to execute its strategy of acquiring and managing niche technology businesses.

Structure Of Share Capital

As at 30 April 2024 the Company's authorised share capital was £10,000,000 comprising 1,000,000,000 ordinary shares of 1p each. As at 30 April 2024 the Company had 104,551,326 (2023: 104,050,044) ordinary shares in issue with a nominal value of 1p each.

SDI GROUP PLC

Governance – Director's Report

Corporate Governance

Corporate Governance is discussed on pages 36 - 41.

Financial Risk Management Objectives And Policies

Financial risk management objectives and policies are discussed in note 29.

Employee Engagement With Other Stakeholders

The company engages with its employees and other stakeholders as disclosed in the Section 172(1) statement on pages 18 - 19.

Health And Safety Policies

The Group is committed to conducting its business in a manner which ensures high standards of health and safety for its employees, visitors and general public. It complies with all applicable and regulatory requirements.

Streamlined Energy And Carbon Reporting ("SECR")

The Group presents disclosures relating to energy emissions in its Strategic Report on pages 24 - 30. The parent company is a low energy user consuming less than 40MWH per annum.

Substantial Shareholdings

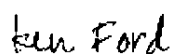
As at 24 July 2024 the Company is aware of the following shareholders who hold an interest of 3% or more in the Company's ordinary share capital.

	Number of ordinary shares	Percentage of share capital
Business Growth Fund	14,375,000	13.70%
Danske Bank A/S	8,572,405	8.20%
Universal-Investment (management company for assets managed by Berenberg)	5,218,184	5.00%
JPMorgan Asset Management	5,190,125	5.00%
Herald Investment Management	4,983,149	4.80%
Tellworth Capital	4,740,329	4.50%
Octopus Investments	3,719,640	3.60%
Hargreaves Lansdown	3,629,335	3.50%
Killik & Co	3,463,534	3.30%

Auditor

A resolution to re-appoint PKF Littlejohn LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

On behalf of the Board



Ken Ford
Chairman
Date: 30th July 2024



Stephen Brown
Chief Executive Officer
Date: 30th July 2024

SDI GROUP PLC

Report of the Independent Auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SDI GROUP PLC

We have audited the financial statements of SDI Group Plc (the 'company') and its subsidiaries (the 'group') for the year ended 30 April 2024 which comprise the Consolidated Income Statement and Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice), as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 30 April 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's base case forecasts covering the period to 30 April 2026, assessing how these forecasts were compiled and assessing their appropriateness by challenging management's assumptions and also applying sensitivities to the underlying assumptions;
- Agreeing the latest post year end cash balances to the working capital position within the going concern forecast and testing the mathematical accuracy of the forecasts;
- Considering the impact of the external market and macro-economic factors affecting the group and company and their future economic viability;
- obtaining management's downside scenarios, which reflects management's assessment of uncertainty and the mitigating actions in place, and evaluating the assumptions regarding reduced trading levels under this scenario;
- evaluating the accuracy of management's historical forecasting and the impact of this on management's assessment; and
- assessing the appropriateness of disclosures in respect of going concern made in the financial statements.

SDI GROUP PLC

Report of the Independent Auditor

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

	Group financial statements	Company financial statements
Materiality for the financial statements as a whole ('overall materiality')	£390,000	£180,000
Basis of materiality	5% of adjusted profit before tax (excluding exceptional and non-underlying items)	1% of gross assets however as this exceeds group materiality, capped at 45% of group materiality
Rationale Benchmark	We consider adjusted profit before tax, as set out above, to be the most relevant performance indicator as the group is profit generating and the financial statements contains a number of profit-focused KPIs such as; adjusted operating profit, adjusted profit before tax and adjusted diluted EPS.	We consider an asset-based benchmark the most appropriate benchmark because the parent company is a non-trading holding company. We then capped the materiality level to 45% of the group materiality for the reasons set out below.
Rationale Percentage	The percentage applied to the benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures relevant for the shareholders, and also to ensure that matters that would have a significant impact on the results were appropriately considered.	
Performance materiality	£273,000	£126,000
70% of overall materiality		
	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> the number and quantum of identified misstatements in the prior year audit observed through our review of the predecessor auditors working papers; and the consistency in the level of judgement required in key accounting estimates and the level of significant or other key risks, including KAMs, identified during our planning procedures. 	

SDI GROUP PLC

Report of the Independent Auditor

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes.

For each operating component in the scope of our audit, we allocated a materiality based on the maximum aggregate component materiality. The range of materiality allocated across these components was between £65,000 and £154,000. Materiality allocated to components included for specified audit procedures only, range between £259,350 and £380,000, was based on a percentage of the group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £19,500 for the group and £9,000 for the company, as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Our approach to the audit

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at components that are financially significant to the group (four components) and where the Group has made an acquisition during the year (one component). Components with any of these attributes were scoped in during the current year, along with other material components (eight components) to ensure we obtained sufficient coverage across all financial statement line items. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

In addition to the components scoped in above, we also performed specified procedures over material balances within four other components, and the remaining components were subject to analytical review as they were not significant or material to the Group.

Audit approach	No. of components	% coverage revenue	% coverage adjusted profit before tax
Full-scope audit	13	80	91
Specified audit procedures	4	11	6
Analytical procedures	11	9	3

With the exception of one component located in Portugal, all in scope components were located in the UK, where the audit work was conducted by us using a team with specific experience of auditing manufacturing companies and publicly listed entities.

The component in Portugal was audited by a PKF network firm under our instruction. We interacted regularly with the component audit team during all stages of the audit and we were responsible for the scope and direction of the audit process. This, in conjunction with additional procedures performed, gave us appropriate evidence for our opinion on the group and company financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

SDI GROUP PLC

Report of the Independent Auditor

Key Audit Matter

How our scope addressed this matter

Fraud in revenue Recognition - Occurrence and cut-off (Note 5)

Under ISA (UK) 240, there is a rebuttable presumption that revenue recognition is a significant fraud risk.

Whilst this is an ISA mandated risk, revenue is a material balance for the Group and represents the largest balance in the group income statement. An error in this balance could significantly affect users' interpretation of the financial statements.

The group's revenue for the year ended 30 April 2024 totalled £65,846k and comprises several individually material streams recognised either at a point in time or over time in accordance with International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers'.

The significant risk specifically relates to:

- Transactions initiated through manual journal postings that did not follow the normal business process;
- Contracts which are highly material to a subsidiary and the group; and
- Estimates involved in recognising revenue overtime in relation to open contracts at year end and revenue recognised within the last two months of the year (pre year end cut-off).

Given the significant value of revenue and the judgements required to be made by management in respect of the recognition of revenue over time in relation to open contracts, this has been assessed as a key audit matter.

Carrying value of intangible assets (Note 12)

In accordance with International Accounting Standard (IAS) 36 'Impairment of Assets', an annual impairment review is required to be performed by management to determine whether the carrying value of goodwill is appropriate.

The carrying value of acquired intangibles and goodwill as at 30 April 2024 totalled £40,855k.

Our work in this area included, but was not limited to:

- Performing a walkthrough for each material revenue stream in order to gain an understanding of the internal control environment and to ensure that the key controls within these systems have been operating in the period under audit;
- Utilising data analytics procedures to identify unexpected journal entries impacting the revenue cycle, for testing;
- Testing the occurrence of revenue arising from the sale of goods by agreeing a sample of transactions to supporting documentation such as invoices, cash receipts PODs/contracts;
- Testing material contracts in the year by obtaining the proof of despatch, invoice and cash received, and assessed whether this is in line with the contract terms and our expectations; and
- Testing the occurrence of revenue arising from service contracts with unfulfilled performance obligations by selecting a sample of transactions and agreeing the revenues to supporting evidence, recalculating the revenue recognised, and assessing the appropriateness of any accrued or deferred income balance at the year end.

We have evaluated and tested the disclosures relating to revenue in the financial statements.

Our work in this area included, but was not limited to:

- Obtaining an understanding of the relevant controls and procedures in place over the impairment assessments;
- Evaluating managements' designation of CGUs and impairment indicators.

SDI GROUP PLC

Report of the Independent Auditor

We identified the risk of impairment of intangible assets as one of the most significant assessed risks of material misstatement due to fraud. The impairment assessments are performed using value in use calculations, which requires forecasted cash flows, extrapolated growth rates and an applicable discount rate. This therefore relies on a significant amount of judgement and estimate and is considered to be a key audit matter.

- Testing the impairment assessment prepared by management and challenging the assumptions made thereto;
- Reviewing the discounted cash flows for each separate CGU, performing sensitivity analysis on said estimates and assessing against the carrying value of the CGUs at the period end; performing sensitivity analysis on other key assumption in the impairment model;
- Engaging our internal valuations team in the review of the discount and terminal growth rates used in the model; and
- Assessing the adequacy of the financial statement disclosures, including the accounting policies.

Based on the work performed and evidence obtained, we consider the assumptions used to perform the impairment assessment to be reasonable.

Valuation of Investment (note 5) and intragroup receivables (note 7) (Company only) - Valuation

The Company's investments in subsidiaries had a carrying value of £64,951k as at 30 April 2024 and therefore there is a risk that these balances may be materially impaired.

Our work in this area included, but was not limited to:

- Obtaining management's impairment assessment in respect of investments in subsidiaries. Reviewing and discussing with management; ascertaining and challenging the key assumptions, estimates and judgements made by management and assessing whether any impairment indicators are met;
- Where any impairment indicators were present in respect of investments in subsidiaries, we obtained management's assessment of the recoverable value of said investments. We reviewed and discussed with management; ascertaining and challenging the key assumptions, estimates and judgements made by management and assessing whether the assessed recoverable value is reasonable; and
- Reviewing and discussing with management; ascertaining and challenging the key assumptions, estimates and judgements made by management and assessing the IFRS 9 expected credit loss charge recorded by management is materially accurate.

Based on the work performed and evidence obtained, we consider the assumptions used to perform the impairment assessment to be reasonable.

The amounts due to the Company from its subsidiaries as at 30 April 2024 had a carrying value of £4,303k and therefore there is a risk that management have not applied the IFRS 9 expected credit loss model appropriately and therefore the balance.

Given the significant value of both balances and the judgement and estimation required to be made by management when conducting their impairment assessments and expected credit loss model review, this risk has been assessed as a key audit matter.

Application of acquisition accounting including the valuation of intangible assets on acquisition (Note 32) - Valuation, Presentation & Disclosure and Accuracy

In November 2023, the Group acquired Peak Sensors Limited. This resulted in an investment recognised in the parent company totalling £2,484k and within the consolidated financial statements acquired intangible assets and goodwill being recognised with a carrying value of £660k and £1,139k (prior to the amortisation charge for the period). We identified the accounting for this acquisition and the valuation of intangible assets on recognition of the acquired businesses as a significant risk of material misstatement due to error. This is due to the fact that there is a risk that Peak Sensor's results post-acquisition and its assets and liabilities have not been incorporated correctly into the consolidation and that the intangible assets, including goodwill, are not recognised in accordance with IFRS 3 'Business Combinations'.

There is significant management judgement and complexity associated with the allocation of excess consideration over net assets acquired between separable intangible assets and remaining goodwill and thus this risk has been identified as a key audit matter.

Our work in this area included, but was not limited to:

- Assessing the group's accounting for the acquisition of Peak Sensors to check whether it was in accordance with the group's financial reporting framework, including IFRS 3;
- Obtaining the sale and purchase agreement for the acquisition of Peak Sensors, to ensure the completeness of consideration recorded by management;
- Obtaining supporting purchase price allocation, prepared by management and their expert to support the recognition and valuation of intangible assets acquired;
- Considering the independence and competency of the expert used by management to determine the fair value of intangible assets to be recognised;
- Evaluating management's considerations as to the nature of the separately identified intangibles, and challenged whether any other intangible assets should have been separately identified;
- Recalculating the fair value of consideration paid in respect of the acquisition of Peak Sensors to determine whether these have been accurately recorded;
- Using an auditor's specialist to assess the appropriateness of the valuation methodology used by management, including the methodology adopted for identifying separate intangible assets distinct from goodwill and assessed the appropriateness of discount rates and growth rates applied;
- Perform procedure over the opening balance sheet at the acquisition date to ensure transactions are recorded correctly within the pre and post acquisition period; and
- Assessing the adequacy of the financial statement disclosures, including the accounting policies.

We have evaluated and tested the disclosures relating to the acquisition in the financial statements. Based on the work performed and evidence obtained, we consider the assumptions used by management to fair value the intangible assets to be reasonable

SDI GROUP PLC

Report of the Independent Auditor

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and company financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

SDI GROUP PLC

Report of the Independent Auditor

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, review of minutes of board meetings and cumulative audit knowledge of manufacturing entities.
- We determined the principal laws and regulations relevant to the group and company in this regard to be those arising from the:
 - Companies Act 2006;
 - UK-adopted international accounting standards and the Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice);
 - Employment health and safety laws and GDPR rules;
 - Local laws and regulations in the jurisdictions of the subsidiary entities;
 - AIM Rules for Companies; and
 - Anti-bribery and anti-money laundering regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and company with those laws and regulations. These procedures included, but were not limited to:
 - Making enquiries of management;
 - Reviewing board meeting minutes;
 - Reviewing legal correspondence (where applicable) and reviewing legal and professional fees.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the impairment assessment of goodwill (group), investments (company) and intergroup receivables (group) as well as the fair value allocation of intangible assets in relation to the acquisition of Peak Sensors. We addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate and ensuring that there were adequate disclosures included in the respective notes including the disclosures within critical accounting estimates;
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- As part of the group audit, we have communicated with component auditors the fraud risks associated with the group and the need for the component auditors to address the risk of fraud in their testing. To ensure that this has been completed, we have reviewed component auditor working papers in this area and obtained responses to our group instructions from the component auditors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SDI GROUP PLC

Report of the Independent Auditor

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hannes Verwey (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
30 July 2024

15 Westferry Circus
Canary Wharf
London E14 4HD

SDI GROUP PLC

Consolidated income statement and statement of comprehensive income For the year ended 30 April 2024

	Note	2024 £'000	*Restated 2023 £'000
Revenue	5	65,846	67,577
Other income		104	112
Operating costs	6	(58,660)	(60,877)
Operating profit	4	7,290	6,812
Net financing expenses	10	(1,627)	(970)
Profit before tax	4 & 7	5,663	5,842
Income tax	11	(1,409)	(1,939)
Profit for the year		4,254	3,903
<i>Attributable to:</i>			
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			
<i>Items that will not be reclassified subsequently to profit and loss:</i>			
Remeasurement of net defined benefit liability	9	-	95
<i>Items that will be reclassified subsequently to profit and loss:</i>			
Exchange differences on translating foreign operations		(38)	142
Total comprehensive income for the year		4,216	4,140
<i>Attributable to:</i>			
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	26	4.09p	3.80p
Diluted earnings per share	26	4.04p	3.72p

All activities of the Group are classed as continuing. The results attributable to business combinations in the year are disclosed in note 32. The accompanying accounting policies and notes form an integral part of these financial statements.

*See note 6

SDI GROUP PLC

Consolidated balance sheet As at 30 April 2024

		30 April 2024	*Restated 30 April 2023	*Restated 1 May 2022
	Note	£'000	£'000	£'000
Company registration number: 06385396				
Non-current assets				
Intangible assets	12	42,040	41,350	36,035
Property, plant and equipment	13	8,219	8,219	4,074
Right-of-use leased assets	14	6,488	6,469	7,305
Investments in associated undertakings	15	-	24	-
Deferred tax asset	17	144	148	27
		<u>56,891</u>	<u>56,210</u>	<u>47,441</u>
Current assets				
Inventories	18	10,577	13,504	7,273
Trade and other receivables	19	12,677	11,980	7,544
Corporation tax asset		87	-	-
Cash and cash equivalents	20	1,430	2,711	5,106
		<u>24,771</u>	<u>28,195</u>	<u>19,923</u>
Total assets		<u>81,662</u>	<u>84,405</u>	<u>67,364</u>
Non-current liabilities				
Borrowings	23	(20,636)	(21,996)	(10,656)
Provisions	22	(245)	-	-
Deferred tax liability	17	(4,841)	(4,750)	(2,858)
		<u>(25,722)</u>	<u>(26,746)</u>	<u>(13,514)</u>
Current liabilities				
Trade and other payables	21	(9,647)	(15,444)	(16,089)
Provisions	22	(22)	(67)	(163)
Borrowings	23	(841)	(745)	(779)
Current tax payable		-	(111)	(1,027)
		<u>(10,510)</u>	<u>(16,367)</u>	<u>(18,058)</u>
Total liabilities		<u>(36,232)</u>	<u>(43,113)</u>	<u>(31,572)</u>
Net assets		<u>45,430</u>	<u>41,292</u>	<u>35,792</u>
Equity				
Share capital	25	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		<u>45,416</u>	<u>41,260</u>	<u>35,792</u>
Non-controlling interest		14	32	-
Total equity		<u>45,430</u>	<u>41,292</u>	<u>35,792</u>

The financial statements were approved and authorised for issue by the Board of Directors on 30th July 2024.

Stephen Brown
Director



Amitabh Sharma
Director



The accompanying accounting policies and notes form an integral part of these financial statements.
*See note 33

SDI GROUP PLC

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	13 & 14	2,021	1,941
Amortisation	12	1,963	2,315
Finance costs and income	10	1,627	970
Impairment of intangible assets	12	-	3,520
Decrease in provisions	22	(15)	(96)
Taxation in the income statement	11	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	13	(966)	(1,085)
Sale of property, plant and equipment		144	84
Expenditure on development and other intangibles	12	(820)	(323)
Payment of deferred consideration		(961)	-
Acquisition of subsidiaries, net of cash	32	(2,386)	(21,056)
Net cash used in investing activities		(4,989)	(22,380)
Financing activities			
Finance leases repayments	24	(796)	(789)
Dividends paid to non-controlling interests in subsidiaries		(41)	-
Proceeds from bank borrowing	24	3,700	15,000
Repayment of borrowings	24	(5,100)	(3,000)
Issues of shares and proceeds from option exercise	25	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

Not included above is non-cashflow item of £215k relating to additional dilapidation provisions capitalised this year.

The accompanying accounting policies and notes form an integral part of these financial statements.

SDI GROUP PLC

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

SDI GROUP PLC

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	Total equity due to shareholders	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476	35,792	-	35,792
Shares issued	19	-	-	-	873	-	-	892	-	892
Tax in respect of share options	-	-	-	-	-	-	117	117	-	117
Share based payment transfer	-	-	-	-	-	(114)	114	-	-	-
Share based payment charge	-	-	-	-	-	351	-	351	-	351
Transactions with owners	19	-	-	-	873	237	231	1,360	-	1,360
Profit for the year	-	-	-	-	-	-	3,871	3,871	32	3,903
Other comprehensive income for the year:										
Actuarial gain on defined benefit pension	-	-	-	-	-	-	95	95	-	95
Foreign exchange on consolidation of subsidiaries	-	-	-	142	-	-	-	142	-	142
Total comprehensive income for the period	-	-	-	142	-	-	3,966	4,108	32	4,140
Balance at 30 April 2023	1,041	2,606	424	181	10,778	557	25,673	41,260	32	41,292

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

1 REPORTING ENTITY

SDI Group plc, a public limited company, is the Group's ultimate parent. The principal activities of the Group can be seen on page 4. It is registered and domiciled in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2024 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in note 5 to the Company Financial Statements.

2 BASIS OF PREPARATION

The consolidated financial statements have 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. The consolidated financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial instruments at fair value.

The principal accounting policies of the Group are set out below.

The consolidated financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company. All values are rounded to the nearest thousand (£'000) except where otherwise indicated.

GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within this Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 63 - 67.

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 23). 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.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

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 6). The effect of the change is as follows:

	As at 30th April 2024			As at 30th April 2023		
	As previously stated £'000	Restated £'000	Difference £'000	As previously stated £'000	Restated £'000	Difference £'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.

ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Judgements in applying accounting policies

There are no key assumptions concerning future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the financial year.

Sources of estimation uncertainty

Fair value assessments of business combinations

Following an acquisition, management makes an assessment of the fair value of all assets and liabilities acquired, including intangible assets and goodwill. The valuation process requires a number of estimates to be made, including an estimate of any earnout cash payment which is contingent on specific performance targets being met. For details of assumptions, see note 32.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

Carrying value of goodwill and other intangible assets

The impairment analysis of intangible assets is based upon the higher of fair value less costs to sell (where there is reliable data) and value in use which is based upon future discounted cashflow forecasts. In the case of the latter, several assumptions are made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 12.

Assessment of the percentage of completion of long-term contracts

The Group's revenue recognition policy, which is set out in note 3, requires forecasts to be made of the outcomes of long-term contracts. This requires estimates of labour hours and rates, and material costs to determine forecast costs to completion and therefore revenue recognition on each long-term contract. Where actual costs incurred differ to forecast costs, or where forecast cost estimates change, the assessment of the percentage of completion of long-term contracts will be affected and therefore revenue and profit or losses recognised impacted.

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2023.

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is obtained where more than 50% of the voting rights are held. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The subsidiaries financial statements have been prepared in accordance with FRS 101.

Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method under the revised IFRS 3 Business combinations. The consideration transferred by the Group to obtain control of a portfolio company is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition costs are expensed within administration expenses as incurred. The Group recognises identifiable assets acquired and liabilities assumed including contingent liabilities in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

FOREIGN CURRENCY

Transactions entered into by Group entities in a currency other than the functional currency of the company which incurred them are recorded at the rate of exchange at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

For the purpose of presenting the consolidated financial statements the assets and liabilities of the Group's overseas operations are translated using exchange rates prevailing on the balance sheet date.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

Exchange differences on net assets arising from this policy are recognised in other comprehensive income and accumulated in the foreign exchange reserve; such translation differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

Income and expense items of overseas operations are translated at exchange rates approximating to those ruling when the transactions took place.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation. Freehold property is shown at historical cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives, as follows:

Motor vehicles	3 years
Computer equipment	3 years
Tools and other equipment	3 years
Furniture, fixtures and fittings	5 years
Freehold property	50 years
Building and leasehold improvements	Over the lease term

The asset's residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount when an indicator of impairment is identified. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

GOODWILL

Goodwill represents the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in the income statement as a gain from a bargain purchase. Goodwill is reviewed for impairment at the various reporting dates or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is also reviewed for impairment immediately following an acquisition. The impairment of goodwill is based upon value in use per CGU, determined using estimated future discounted cash flows.

RESEARCH AND DEVELOPMENT

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible assets and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or the intangible asset itself, or, if it is to be used internally, the asset will be used for generating such benefits; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

The expenditure capitalised includes direct cost of material, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development is stated at cost less accumulated amortisation and impairment losses.

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Notes to the consolidated financial statements For the year ended 30 April 2024

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Amortisation is shown within administrative expenses in the income statement. The estimated useful lives of current development projects are three years. Until completion of the project the assets are subject to impairment testing at the various reporting dates.

OTHER INTANGIBLE ASSETS

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill providing the assets are separable or they arise from contractual or other legal rights and their fair value can be measured reliably. The fair value of intangible assets in a business combination includes the value of any tax benefit.

Intangible assets with a finite life are amortised over their useful economic lives. Amortisation is recognised in the income statement within administrative expenses on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Capitalised development costs	3 years
Other intangible assets	3 - 15 years
Customer relationships and trademarks	10 - 15 years
Order book	Up to 2 years
Technology	8 years

IMPAIRMENT

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level.

Goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from synergies of the related business combination, typically the Group's operating segments, which represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses for cash-generating units reduce first the carrying value of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment in respect of goodwill is not reversed. Impairment losses on other assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

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INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their location and condition at the balance sheet date. Items are valued using the first in, first out method. When inventories are used, the carrying amount of these inventories is recognised as an expense in the period in which the related revenue is recognised. Provisions for write-down to net realisable value and losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and deposits which are subject to an insignificant risk of changes in value.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Merger reserve" represents the difference between the parent company's cost of investment and the portfolio company's share capital and share premium where a group reorganisation qualifies as a common control transaction.
- "Merger relief reserve" represents the premium on shares issued for an investment in a portfolio company which has been classified as a merger relief reserve instead of share premium.
- "Foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised. The equity component of convertible loan stock, if any, is also included. On conversion of the loan stock the equity component is transferred into the retained earnings reserve.
- "Non-controlling interest" represents the proportionate share of the identifiable net assets on acquisition and subsequent share of result following this of any portfolio company where the shareholdings held by the Parent Company is less than 100%.
- "Retained earnings" represents retained profits. Under Portuguese law, a portion of their retained earnings must be transferred to a legal reserve each year, and as such this is not distributable.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

Obligations for contributions for defined contribution plans are recognised as an expense in the income statement when they are due.

Defined benefit plans

Under the Group's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

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The liability recognised in the consolidated statement of financial position for defined benefit plans is the present value of the defined benefit obligation ("DBO") at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

FINANCIAL ASSETS

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents. Trade and other receivables are recognised and carried at the original invoice amount less a provision for the expected credit loss. Management have adopted the simplified model to determine the expected credit loss on trade receivables and uses historical experience of losses applied to the specific circumstances of the receivable, including trading history with the debtor and period overdue to determine the need for and amount of any provision to cover expected future losses. Uncollectable amounts are written off to the Income Statement when identified.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, other loans and bank borrowings. All financial liabilities are measured at fair value plus transaction costs on initial recognition and subsequently are measured at amortised cost. Contingent consideration assumed in a business combination is measured initially at fair value through profit and loss in the income statement at the acquisition date and any contingent liability is classified as a liability within the balance sheet.

REVENUE RECOGNITION

In accordance with IFRS 15 'Revenues from Contracts with Customers', revenue is measured by reference to the fair value of consideration received or receivable by the Group, excluding value added tax (or similar local sales tax), in exchange for transferring the promised goods or services to the customer. The consideration is allocated to each separate performance obligation that is identified in a sales contract, based on stand-alone selling prices. Sales of goods, sales of instruments and spare parts, and sales of services, such as non-specialised installation or maintenance work, are assessed to be separate performance obligations.

Revenue is recognised when (or as) the Group satisfies the identified performance obligation. For sales of instruments and spare parts, the performance obligation is satisfied at a point in time; for revenue from services, the performance obligation is satisfied over time. As the period of time between payment and performance is less than one year, the Group does not adjust revenue for the effects of financing.

Revenue from sales of goods is recognised mainly at a point in time, at which the customer obtains control of the asset, however there are some instances across the Group where revenue is recognised over time. Such products have been determined to be bespoke in nature, with no alternative use. Where there is also an enforceable right to payment for work completed, the criteria for recognising revenue over time have been deemed to have been met. Revenue is recognised on an input basis as work progresses and progress is measured with reference to the actual costs incurred as a proportion of the total costs expected to be incurred under the contract.

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Notes to the consolidated financial statements For the year ended 30 April 2024

This is not a significant part of the Group's business as for the most part, where goods are bespoke in nature, it is the Group's judgement that the products can be broken down to standard component parts with little additional cost and therefore has an alternative use, or there is no enforceable right to payment for work performed. In these cases, the judgement is made that the requirements for recognising revenue over time are not met and revenue is recognised when control of the finished product passes to the customer.

Revenue from sales of instruments and spare parts is recognised at the point at which the customer obtains control of the asset. This is usually when the customer receives the goods or when goods are collected by the customer. Revenue from installations is recognised at the point which the installation is completed. For large, complex instruments which require highly specialised installation, revenue from both the instrument and installation is recognised at the point which installation is completed.

Revenue from maintenance work relates to service visits carried out on equipment provided to customers whereby the performance obligation is to carry out service visits over a period of time. It is a separate, distinct, individually identified performance obligation and is recognised straight-line over the length of the service contract being provided as this reflects the inputs and efforts (service employees) which are expended evenly throughout the performance period (length of the contract).

LEASED ASSETS

The Group makes the use of leasing arrangements principally for the provision of the main warehouse and related facilities, office space, IT equipment and motor vehicles. The rental contracts for offices are typically negotiated for terms of between 5 and 20 years and some of these have extension terms. Lease terms for office fixtures and equipment and motor vehicles have lease terms of between 6 months and 5 years without any extension terms. The Group does not currently enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Where a lease has a total monetary value that is not significant to the company and has a term of less than 12 months, no right-of-use asset or liabilities require recognising on the balance sheet as a result.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease.

The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

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Notes to the consolidated financial statements For the year ended 30 April 2024

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined.

The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

To respond to business needs particularly in the demand for office space, the Group will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Group is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

In other instances, the Group is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease. Both of which were not part of the original terms and conditions of the lease. In these situations, the Group does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date the parties agree to the modification. For the reasons explained above, the discount rate used is the Group's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

TAXATION

Income tax expense comprises current and deferred tax.

The tax currently payable is based on the taxable profit for the year. Current tax is recognised in profit or loss, except that current tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and current tax relating to items recognised directly in equity is recognised in equity. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or it is probable that reversal will not occur in the foreseeable future. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary difference can be utilised.

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The carrying value of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part or all of the assets to be recovered.

Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

SEGMENT REPORTING

The Group identifies operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Executive Board of directors.

PROVISIONS

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and the amounts can be estimated reliably. A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

SHARE BASED PAYMENTS

SDI Group plc regularly issues share options to employees. The fair value of the award granted is recognised as an employee expense within the Income Statement with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

The fair value of the grants is measured using the Black-Scholes model or a Monte Carlo simulation as appropriate, taking into account the terms and conditions upon which the grants were made.

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For the year ended 30 April 2024

4 ALTERNATIVE PERFORMANCE MEASURES

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

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

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

	2024 £'000	*Restated 2023 £'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

*See note 6

SDI GROUP PLC

Notes to the consolidated financial statements
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4 ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

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

Adjusted Diluted 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 26)	105,253,543	104,799,252
Adjusted Diluted EPS	5.78p	9.02p

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Notes to the consolidated financial statements
For the year ended 30 April 2024

4 ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

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 6

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Notes to the consolidated financial statements
For the year ended 30 April 2024

5 SEGMENT ANALYSIS

The Digital Imaging segment incorporates the Synoptics brands Syngene, Synbiosis, Synoptics Health and Fistream, 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	2023
	Total	Total
	£'000	£'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)

Adjusted Operating Profit has been defined in note 4.

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.

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Notes to the consolidated financial statements
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5 SEGMENT ANALYSIS (CONTINUED)

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

Net Operating Assets has been defined in note 4. The geographical analysis of revenue by destination, analysis of revenue by product or service, and non-current assets by location are set out below:

	2024 £'000	*Restated 2023 £'000
Revenue by destination of external customer		
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
	<u>65,846</u>	<u>67,577</u>

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

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

5 SEGMENT ANALYSIS (CONTINUED)

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

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 £'000	2023 £'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
	<u>65,846</u>	<u>67,577</u>

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

6 OPERATING COSTS

	2024 £'000	*Restated 2023 £'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
	<u>58,660</u>	<u>60,877</u>

*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 7).

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Notes to the consolidated financial statements For the year ended 30 April 2024

7 PROFIT BEFORE TAXATION

Profit for the year has been arrived at after charging/(crediting):

	2024 £'000	2023 £'000
Amortisation of intangible assets	1,963	2,315
Amortisation charge for the year - Right-of-use assets	911	896
Depreciation charge for the year – Tangible fixed assets	1,110	1,045
Impairment of intangible assets	-	3,520
Fees payable to the Company's Auditor in respect of audit services:		
- Audit of Group consolidated accounts	72	101
- Audit of Company's subsidiaries pursuant to legislation	267	230
- Audit of overseas subsidiaries	14	9
Fees paid to the auditor and its associates in respect of other services:		
- Audit related assurance services	20	14
Currency exchange loss/(gain)	31	(31)
Reorganisation costs	447	-
Acquisition costs	155	331

As disclosed in the Report of the Audit Committee, the company undertook an audit tender process during the year to replace the previous external auditor Grant Thornton, who had held that role since the Company's incorporation in 2007 which culminated in the appointment of PKF Littlejohn LLP. This year's fees are for services provided by PKF Littlejohn LLP whilst last year's fee was for services provided by Grant Thornton.

8 DIRECTORS' AND EMPLOYEES' REMUNERATION

Staff costs during the year were as follows:

	2024 £'000	2023 £'000
Wages and salaries (including reorganisation costs and other termination benefits £225k (2023: £94k))	20,525	18,738
Social security costs	2,161	2,071
Share based payment charge	128	351
Employer's National Insurance costs on share-based remuneration	(124)	62
Pension contributions	844	697
	<u>23,534</u>	<u>21,919</u>

Key management for the Group is considered to be the directors of the Group. Remuneration of directors is set out in the Directors' remuneration report on pages 45 - 47.

Total emoluments of £476k (2023: £473k) were paid to the highest paid director during the year which included termination payments of £225k (this includes £75k compensation for loss of office).

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

8 DIRECTORS' AND EMPLOYEES' REMUNERATION (CONTINUED)

The average number of employees of the Group during the year was:

	2024 Number	2023 Number
Administration	117	121
Production	287	271
Product development	46	49
Sales and marketing	53	48
	503	489

Share based employee remuneration

The company has two active EMI option schemes, "approved" and "unapproved", which share similar features, but may be treated differently regarding taxation of the option holder. Both schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs. The options can be exercised three years after the share options are granted. Upon vesting, each option allows the holder to purchase one ordinary share. The options lapse if share options remain unexercised after a period of 10 years after the date of grant or if the employee leaves. During the year, 120,000 of such options were granted under these schemes, at exercise prices of £0.630. The weighted average remaining contractual life of all outstanding options under these schemes is 4.51 years.

The LTIP award made on 22 February 2024 had the following performance conditions: 50% based on achieving adjusted fully diluted Earnings Per Share within a range for the year ending 30 April 2026 (assessed on a straight-line basis within this range) and 50% on the total shareholder return over three years compared with a basket of twenty comparable companies.

Subject to the rules of the LTIP, vesting is on the third anniversary of the date of grant, to the extent that the performance conditions are met, with a minimum holding period of four years including the vesting period. The exercise price for these options is 1p each, being the nominal value of SDI shares.

A summary of options outstanding currently is as follows:

Scheme	Options outstanding as at 1 May 2023	Granted	Lapsed	Exercised	Options outstanding as at 30 April 2024	of which exercisable	Weighted average exercise price
EMI, Approved	151,800	-	-	(30,000)	121,800	121,800	£0.230
EMI, Unapproved	1,681,800	120,000	(289,000)	(260,600)	1,252,200	150,000	£1.482
LTIP	850,875	450,000	(121,930)	(210,682)	968,263	135,455	£0.010
Total	2,684,475	570,000	(410,930)	(501,282)	2,342,263	407,255	£0.808

In accordance with IFRS 2, share based compensation expense is calculated on the issue of share options. For options under the LTIP scheme vesting based on TSR, a Monte Carlo simulation performed is used to value the compensation expense. For the other options issued during the year, the compensation expense was valued using the Black Scholes model, with the following inputs:

- interest rate 4.1%
- dividend 0%
- volatility 44.2%
- expected life of option 3 years.

The charge for the year ended 30 April 2024 was £128k (2023: £351k).

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

9 PENSION OBLIGATIONS

During the previous year, the Group acquired LTE Scientific Limited which already operated a defined benefit pension scheme at the point of acquisition. The pension surplus continues to not be recognised as the Group does not have an unconditional right to benefit therefrom.

Defined benefit plan

The Group operates a funded pension plan in the UK. The plan operates on a defined benefit basis and benefits ceased to accrue with effect from 30 June 1997.

The plan exposes the Group to actuarial risks such as investment risk, longevity risk and inflation risk:

- Investment risk – The plan assets at 30 April 2024 are heavily equity related.
- Longevity risk – The Group is required to provide benefits for life for the members of the defined benefit liability. Increase in the life expectancy of the member will increase the defined benefit liability.
- Inflation risk – A significant proportion of the defined benefit asset is linked to inflation. An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

Based on historical data, the Group expects contributions of £nil to be paid for 2025.

The asset not recognised for the Group's DBO is represented net of plan assets in accordance with IAS 19.131(a) and (b). It consists of the following amounts:

	2024 £'000	2023 £'000
Defined benefit obligation	857	914
Fair value of plan assets	(1,032)	(1,023)
Surplus restriction	175	109
Pension asset/(liability)	-	-
Classified as:		
- Non-current asset (net) not recognised	(175)	(109)
	(175)	(109)

A reconciliation of the Group's DBO and plan assets to the amounts presented in the consolidated statement of financial position for each of the reporting periods is presented below:

	2024 £'000	2023 £'000
Defined benefit obligation	914	1,133
Defined benefit obligation b/f	914	1,133
Interest	43	27
Benefits paid	(59)	(39)
Actuarial gains arising from changes in demographic assumptions	(31)	-
Actuarial gains arising from changes in financial assumptions	2	(226)
Other actuarial gains	(12)	19
Defined benefit obligation c/f	857	914

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

9 PENSION OBLIGATIONS (CONTINUED)

	2024 £'000	2023 £'000
Plan assets		
Fair value of plan assets b/f	1,023	1,038
Expected return	49	27
Benefits paid	(59)	(39)
Expenses paid	(8)	(15)
Actuarial gains	27	12
Fair value of plan assets c/f	1,032	1,023

Plan assets can be broken down into the following categories of investments:

	2024 £'000	2023 £'000
Equities	695	843
Bonds	282	136
Cash	55	44
	1,032	1,023

Estimates and assumptions

Defined benefit obligation

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, inflation rate and the average life expectancy. The assumptions used for the valuation of the defined benefit obligation are as follows:

	2024 %/years	2023 %/years
Discount rate at date shown	5.20%	4.90%
Inflation	2.80%	2.20%
Average life expectancies:		
Male mortality at 30/4/24	20.3	21.2
Female mortality at 30/4/24	22.5	23.2
Male mortality for birth year 1959/1956	21.0	21.8
Female mortality for birth year 1959/1956	23.5	24.2
Male mortality for birth year 1975/1976	21.8	22.6
Female mortality for birth year 1975/1976	24.4	25.2

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-end by reference to market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the DBO was measured using the defined accrued benefit method.

The weighted average duration of the defined benefit obligation at 30 April 2024 is 11 years (2023: 13 years).

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

9 PENSION OBLIGATIONS (CONTINUED)

Plan assets

Plan assets do not comprise any of the Group's own financial instruments or any assets used by Group companies. All equity and debt instruments have quoted prices in active markets (Level 1). Fair values of real estate investments do not have quoted prices and have been determined based on professional appraisals that would be classified as Level 3 of the fair value hierarchy as defined in IFRS 13.

Defined benefit plan expenses

Amounts not recognised in profit or loss related to the Group's defined benefit plans are as follows:

	2024 £'000	2023 £'000
Net interest expense	6	-
	<u>6</u>	<u>-</u>

Gains related to the Group's defined benefit plans are as follows:

	2024 £'000	2023 £'000
Actuarial gains on plan assets	27	12
Actuarial gains arising from financial assumptions	31	226
Actuarial losses arising from demographic assumptions	(2)	-
Other actuarial gain/(losses)	12	(19)
	<u>68</u>	<u>219</u>

No actuarial gains/losses (2023: £95k) resulting from the remeasurement of the defined benefit asset has been recognised in the consolidated statement of other comprehensive income as the pension surplus has been restricted as explained above.

Changes in the significant actuarial assumptions

The calculation of the net defined benefit asset is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 30 April 2024:

	Assumption %/years	Defined benefit obligation £'000
Discount rate 0.5% pa lower	4.7%	904
Inflation rate 0.5% pa higher	3.3%	883
Life expectancy 1 year longer	22.0/24.5 years	893

The present value of the defined benefit obligation has been calculated with the same method (defined accrued benefit) as the defined benefit obligation recognised in the consolidated statement of financial position. The sensitivity analyses are based on a change in one assumption while not changing all other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely the change in any of the assumptions would occur in isolation of one another as some of the assumptions are correlated.

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Notes to the consolidated financial statements
For the year ended 30 April 2024

10	FINANCE COSTS	2024	2023
		£'000	£'000
	Bank loans	1,404	745
	Leases and hire purchase contracts	223	225
		1,627	970
		<hr/>	<hr/>
11	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
		<hr/>	<hr/>
	Total tax charge	1,409	1,939
		<hr/>	<hr/>
	Reconciliation of effective tax rate	2024	2023
		£'000	£'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
		<hr/>	<hr/>
		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.

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

12 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.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

12 INTANGIBLE ASSETS (CONTINUED)

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	-
	<u>23,854</u>	<u>22,691</u>

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% (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).

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

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PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Computer equipment £'000	Tools and other equipment £'000	Furniture fixtures & fittings £'000	Building and leasehold improvement £'000	Total £'000
Cost						
At 30 April 2022	566	402	2,036	475	2,132	5,611
Additions	220	43	659	95	68	1,085
Additions on acquisition	263	-	535	-	3,393	4,191
Foreign exchange	(5)	(4)	(11)	(4)	(3)	(27)
Disposals	(300)	-	(275)	(19)	-	(594)
At 30 April 2023	744	441	2,944	547	5,590	10,266
Additions	158	116	408	246	253	1,181
Additions on acquisition	1	14	7	20	-	42
Foreign exchange	-	-	-	8	-	8
Disposals	(180)	-	(428)	(40)	(34)	(682)
At 30 April 2024	723	571	2,931	781	5,809	10,815
Depreciation						
At 30 April 2022	92	165	971	170	139	1,537
Charge for year	226	53	466	150	150	1,045
Disposals	(238)	-	(279)	(18)	-	(535)
At 30 April 2023	80	218	1,158	302	289	2,047
Charge for year	232	44	529	143	162	1,110
Disposals	(155)	-	(346)	(27)	(33)	(561)
At 30 April 2024	157	262	1,341	418	418	2,596
Net book value						
At 30 April 2024	566	309	1,590	363	5,391	8,219
At 30 April 2023	664	223	1,786	245	5,301	8,219

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

14 RIGHT-OF-USE LEASED ASSETS

	Motor vehicles £'000	Property £'000	Total £'000
Cost			
At 30 April 2022	142	8,295	8,437
Additions	36	2	38
Foreign exchange	-	11	11
Disposals	(59)	-	(59)
At 30 April 2023	119	8,308	8,427
Additions	2	747	749
Additions on acquisition	-	183	183
Disposals	-	(2)	(2)
At 30 April 2024	121	9,236	9,357
Depreciation			
At 30 April 2022	73	1,059	1,132
Charge for year	42	854	896
Disposals	(55)	(15)	(70)
At 30 April 2023	60	1,898	1,958
Charge for year	30	881	911
Disposals	-	-	-
At 30 April 2024	90	2,779	2,869
Net book value			
At 30 April 2024	31	6,457	6,488
At 30 April 2023	59	6,410	6,469

Where a lease has a total monetary value of less than £3k and a term of less than 12 months, no right-of-use asset or liabilities have been recognised on the balance sheet.

15 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	Total £'000
Opening cost and net book value	24
Reclassification to Goodwill	(24)
Closing cost and net book value	-

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

16 LEASES

Lease liabilities are presented in the balance sheet as follows:

	2024 £'000	2023 £'000
Current	841	745
Non-current	6,036	5,996
	<u>6,877</u>	<u>6,471</u>

The Group has leases for factory buildings and offices, and for some vehicles and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 14).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantial termination fee. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Furthermore, the Group must insure items of plant and machinery and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Total contractual undiscounted lease liabilities at 30 April 2024 were as follows:

	2024 £'000	2023 £'000
Within one year	1,090	940
Within two to five years	3,104	2,693
After five years	4,055	4,456
Total undiscounted lease liabilities	<u>8,249</u>	<u>8,089</u>

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

17 DEFERRED TAX

	2024 Deferred tax liability £'000	2023 Deferred tax liability £'000
Opening (net)	4,602	2,831
Deferred tax asset on acquisition	165	1,360
Deferred tax credited/(charged) in the income statement	(303)	180
Deferred tax included directly in equity	275	233
Deferred tax asset on disposal	(46)	-
Foreign exchange differences	4	2
At 30 April (net)	4,697	4,602
Fixed asset temporary differences	1,214	1,156
Short term temporary differences	(487)	(349)
Capital gains	20	20
Intangible assets	3,950	4,160
Deferred tax on share option exercises	-	(385)
At 30 April (net)	4,697	4,602
Deferred tax asset	(144)	(148)
Deferred tax liability	4,841	4,750
At 30 April (net)	4,697	4,602

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £261k (2023: £260k) in respect of losses. These losses are all pre-1 April 2017 and therefore cannot be offset against trading profits of the same trade post 1 April 2017. Total losses (provided and unprovided) totalled £1.3m (2023: £1.0m).

The Group benefits from tax deductions related to actual gains made by employees on exercise of share options, which are different, in both magnitude and timing, from the share-based payments expense recorded in the Group's Income Statement (for which no tax deduction is received). A deferred tax asset is recorded for the tax deductions expected to result from future share option exercises, based on the calculated earned gains inherent in share options outstanding at period end, at the current enacted tax rate. To the extent that the deductible employee gains exceed the recorded share-based payments, the excess of the associated current or deferred tax is recognised directly in equity. Deferred tax deductions totalling £250k (2023: £117k) have been recognised directly in equity.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

18 INVENTORIES

	2024 £'000	2023 £'000
Raw materials and consumables	8,783	8,068
Work in progress	946	3,172
Finished goods	848	2,264
	<u>10,577</u>	<u>13,504</u>

There is no material difference between the replacement cost of inventory and the amounts stated above.

In the year ended 30 April 2024 a total of £24,297k (2023: £24,810k) of inventories were consumed and charged to the Income Statement as an expense.

19 TRADE AND OTHER RECEIVABLES

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

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

A reconciliation of the movement in the Expected Credit Loss provision for trade receivables is as follows:

	2024 £'000	2023 £'000
As at 1 May	257	156
(released)/charged in year	(155)	101
As at 30 April	<u>102</u>	<u>257</u>

In addition, some of the trade receivables not provided for are past due at the reporting date. There are no indications that financial assets past due but not impaired are irrecoverable.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

20 CASH AND CASH EQUIVALENTS

	2024 £'000	2023 £'000
Cash at bank and in hand	<u>1,430</u>	<u>2,711</u>

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

21 TRADE AND OTHER PAYABLES

	2024 £'000	2023 £'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
	<u>9,647</u>	<u>15,444</u>

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.

22 PROVISIONS

	Dilapidations		Warranties	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
As at 1 May	30	88	37	75
Charged/(released) in the year	215	(58)	(15)	(38)
As at 30 April	<u>245</u>	<u>30</u>	<u>22</u>	<u>37</u>
			Total	
			2024 £'000	2023 £'000
As at 1 May			67	163
Charged/(released) in the year (net)			200	(96)
As at 30 April			<u>267</u>	<u>67</u>
			Total	
Analysis of provision			2024 £'000	2023 £'000
Current			22	67
Non-current			245	-
			<u>267</u>	<u>67</u>

Warranties of between one and three years are given with the sales of products. There are potential costs associated with the repair of goods under these warranties which could occur at any time over the next three years of which the level of costs is uncertain. The warranty provision is based on the historical cost of warranty repairs over the last three years, and it is expected that the majority of this expenditure will be incurred in the next financial year.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

23 BORROWINGS

Borrowings are repayable as follows:

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

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).

24 RECONCILIATION OF NET DEBT

The changes in the Group's net debt can be classified as follows:

	Cash £'000	Long term borrowing £'000	Leases £'000	Total £'000
At 30 April 2022	(5,106)	4,000	7,435	6,329
Non-cash movement				
- New loans	-	-	95	95
Cash movement				
- New loans	-	15,000	-	15,000
- Repayments	-	(3,000)	(789)	(3,789)
- Movement in cash	2,395	-	-	2,395
At 30 April 2023	(2,711)	16,000	6,741	20,030
Non-cash movement				
- New loans for existing businesses	-	-	749	749
Cash movement				
- New loans on acquisition	-	-	183	183
- New loans	-	3,700	-	3,700
- Repayments	-	(5,100)	(796)	(5,896)
- Movement in cash	1,281	-	-	1,281
At 30 April 2024	(1,430)	14,600	6,877	20,047

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

25 SHARE CAPITAL

	2024 £'000	2023 £'000
Authorised		
1,000,000,000 (2023: 1,000,000,000) Ordinary shares of 1p each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 104,551,326 (2023: 104,050,044) Ordinary shares of 1p each	<u>1,046</u>	<u>1,041</u>

During the year 501,282 Ordinary shares of 1p were issued due to the exercise of options. The 501,282 options had an exercise price ranging from £0.0110 to £0.6490. The Group received £85k consideration, which was allocated £5k to share capital and £80k to share premium.

26 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
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.

27 CONTINGENT LIABILITIES

Contingent liabilities

Performance guarantees totalling £32k (2023: £32k) are held by the bank. These would become payable by the Group if, once the customer has placed an order, the Group fails to deliver goods to the customer.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

28 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

Transactions with directors are disclosed within the Directors' remuneration report and note 8.

The Company is not required to disclose transactions with its wholly owned subsidiaries.

Unless otherwise stated, none of the transactions incorporated in these financial statements include any special terms or conditions. There is no ultimate controlling party.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments

The Group uses various financial instruments, including loans and leasing arrangements, and has certain assets and liabilities which are denominated in foreign currencies. The main purpose of the financial instruments is to raise finance for the Group's operations. The existence of these financial instruments and other financial assets and liabilities exposes the Group to a number of financial risks, primarily interest rate risk and currency risk.

Interest rate risk

The Group finances its operations through a mixture of retained profits, short-term and long-term bank borrowings, and shareholders' equity. The Group has an exposure to interest rate fluctuations on its borrowings which are generally linked to SONIA. An increase in SONIA of 1% would result in an increase in interest costs of approximately £146k (2023: £160k) annually, based on the loan outstanding at 30 April 2024.

Currency risk

A significant proportion of the Group's monetary assets (principally bank balances and trade receivables) and liabilities (principally borrowings) are denominated in Dollars and Euros but held in entities with Sterling as the functional currency. An adverse movement in exchange rates could lead to losses on these positions. As at 30 April 2024 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £42k (2023: £51k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £73k (2023: £94k). An adverse movement in Chinese Yuan of 5% would result in a reduction in the Group's equity and profit or loss of £33k (2023: £24k).

The carrying amount of the Group's Dollar, Euro and CNY-denominated monetary assets with a differing functional currency at the reporting date is as follows:

	Assets	
	2024	2023
	£'000	£'000
US Dollars	889	1,080
Euros	1,523	1,978
Chinese Yuan	690	505

In addition to this, significant proportions of the Group's revenue, purchases and overhead costs are transacted in foreign currencies, mainly Dollars and Euros. The Group does not currently attempt to hedge its exposure using derivative instruments.

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Notes to the consolidated financial statements
For the year ended 30 April 2024

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £14,151k (2023: £14,691k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

The principal credit risks lie with trade receivables. In order to manage credit risk credit limits are set for customers based on a combination of payment history and third-party credit references. Details of overdue trade receivables are provided below. All of the receivables have been reviewed for potential credit losses, and expected credit loss has been estimated, as set out in note 19. The simplified approach has been adopted to calculate the level of expected credit loss provision in the year with a 20% allowance applied to those debtors due between 90 days and 120 days and a 50% allowance applied to those debtors greater than 120 days old.

Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations and arises from trade and other payables. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows.

The Group's financial liabilities have contractual maturities as summarised below:

As at 30 April 2024	Current	Between 6	Non-current	
	Within 6	and 12	Between 1	Later than
	months	months	and 5	5 years
	£'000	£'000	£'000	£'000
Trade and other payables	9,647	-	-	-
Borrowings	-	841	20,636	-
As at 30 April 2023	Current	Between 6	Non-current	
	Within 6	and 12	Between 1	Later than 5
	months	months	and 5 years	years
	£'000	£'000	£'000	£'000
Trade and other payables	15,443	-	-	-
Borrowings	466	354	24,196	-
Ageing of receivables:	2024		2023	
	Gross	Provision	Gross	Provision
	£'000	£'000	£'000	£'000
Past due less than 1 month	5,892	-	4,998	-
Past due 1 - 3 months	4,337	(174)	4,430	(322)
Past due 3 - 6 months	522	(175)	401	(257)
Past due 6 - 12 months	50	-	26	-
Past due greater than 12 months	268	(149)	-	-
	11,069	(498)	9,855	(579)

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

30 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY IFRS 9 CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the years under review may also be categorised as follows:

Balance sheet headings	Financial assets at amortised cost 2024 £'000	Non-financial assets 2024 £'000	Financial liabilities at amortised cost 2024 £'000	Non-financial liabilities 2024 £'000	Total balance sheet heading 2024 £'000
Cash and cash equivalents	1,430	-	-	-	1,430
Trade and other receivables	10,983	1,781	-	-	12,764
Borrowings - current	-	-	(841)	-	(841)
Borrowings - noncurrent	-	-	(20,636)	-	(20,636)
Trade and other payables -current	-	-	(8,397)	(1,250)	(9,647)
Total	12,413	1,781	(29,874)	(1,250)	(16,930)

Balance sheet headings	Financial assets at amortised cost 2023 £'000	Non-financial assets 2023 £'000	Financial liabilities at amortised cost 2023 £'000	Financial liabilities measured at fair value through profit and loss 2023 £'000	Non-financial liabilities 2023 £'000	Total balance sheet heading 2023 £'000
Cash and cash equivalents	2,711	-	-	-	-	2,711
Trade and other receivables	10,122	1,858	-	-	-	11,980
Borrowings - current	-	-	(745)	-	-	(745)
Borrowings - noncurrent	-	-	(21,996)	-	-	(21,996)
Trade and other payables - current	-	-	(13,027)	(961)	(1,456)	(15,444)
Total	12,833	1,858	(35,768)	(961)	(1,456)	(23,494)

The fair values of the financial assets and liabilities at 30 April 2024 and 30 April 2023 are not materially different from their book values.

SDI GROUP PLC

Notes to the consolidated financial statements
For the year ended 30 April 2024

31 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders; and
- to be in a position to make acquisitions ('buy and build' strategy)

The Group monitors capital by tracking and forecasting its Net debt-to-EBITDA ratio as required by its bank facility covenant. The Group has historically acquired companies using a combination of cash on hand, increased borrowing, issue of shares to the sellers, and new equity share placings, taking care to retain adequate liquidity reserves.

The Group has not paid dividends but will keep its dividend policy under review.

32 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.

SDI GROUP PLC

Notes to the consolidated financial statements For the year ended 30 April 2024

32 BUSINESS COMBINATIONS (CONTINUED)

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.

33 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 £'000	Restated £'000	Difference £'000	As previously stated £'000	Restated £'000	Difference £'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	-

SDI GROUP PLC

Company Balance Sheet As at 30 April 2024

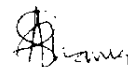
	Note	2024 £'000	2023 £'000
Non-current assets			
Property, plant & equipment	4	61	10
Investments	5	64,951	61,567
Deferred tax asset	6	55	344
		<u>65,067</u>	<u>61,921</u>
Current assets			
Trade and other receivables	7	7,374	5,092
Cash		328	1,063
		<u>7,702</u>	<u>6,155</u>
Creditors: amounts falling due within one year	8	<u>(6,979)</u>	<u>(7,103)</u>
Net current assets/(liabilities)		723	(948)
Total assets less current liabilities		<u>65,790</u>	<u>60,973</u>
Provisions for liabilities	6	(15)	-
Creditors: amounts falling due after more than one year	9 & 10	<u>(18,585)</u>	<u>(18,703)</u>
Net assets		<u>47,190</u>	<u>42,270</u>
Capital and reserves			
Called up share capital	11	1,046	1,041
Share premium account		10,858	10,778
Share based payment reserve		968	557
Merger relief reserve		424	424
Profit and loss account		33,894	29,470
Shareholders' funds		<u>47,190</u>	<u>42,270</u>

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the financial year was £4,908k (2023: £10,064k).

The financial statements were approved and authorised for issue by the Board of Directors on 30th July 2024.



Stephen Brown
Chief Executive Officer



Amitabh Sharma
Chief Financial Officer

Company registration number: 06385396

SDI GROUP PLC

Company Statement of Changes in Equity As at 30 April 2024

	Share capital £'000	Merger reserve relief £'000	Share premium reserve £'000	Share based payment reserve £'000	Profit and loss account £'000	Total £'000
As at 1 May 2023	1,041	424	10,778	557	29,470	42,270
Shares issued	5	-	80	-	-	85
Share based payment transfer	-	-	-	283	(283)	-
Share based payments	-	-	-	128	-	128
Transactions with owners	<u>5</u>	<u>-</u>	<u>80</u>	<u>411</u>	<u>(283)</u>	<u>213</u>
Tax in respect to share options	-	-	-	-	(201)	(201)
Profit for the year	-	-	-	-	4,908	4,908
Total comprehensive income	-	-	-	-	4,707	4,707
At 30 April 2024	<u>1,046</u>	<u>424</u>	<u>10,858</u>	<u>968</u>	<u>33,894</u>	<u>47,190</u>
	Share capital £'000	Merger reserve relief £'000	Share premium reserve £'000	Share based payment reserve £'000	Profit and loss account £'000	Total £'000
As at 1 May 2022	1,022	424	9,905	523	18,995	30,869
Shares issued	19	-	873	-	-	892
Share based payment transfer	-	-	-	(144)	318	174
Share based payments	-	-	-	178	-	178
Transactions with owners	<u>19</u>	<u>-</u>	<u>873</u>	<u>34</u>	<u>318</u>	<u>1,244</u>
Tax in respect to share options	-	-	-	-	93	93
Profit for the year	-	-	-	-	10,064	10,064
Total comprehensive income	-	-	-	-	10,157	10,157
At 30 April 2023	<u>1,041</u>	<u>424</u>	<u>10,778</u>	<u>557</u>	<u>29,470</u>	<u>42,270</u>

SDI GROUP PLC

Notes to the Company financial statements
For the year ended 30 April 2024

1 PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The separate financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The financial statements are prepared under the historical cost convention.

ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Sources of estimation uncertainty

Carrying value of investments

The carrying value of investments is assessed based on the current trading performance, the expected future performance and net assets of the investment. If actual results differ or changes in expectations arise, impairment charges may be required which would adversely impact the parent company results. See note 12 to the Group accounts for a summary of the key assumptions for the value in use calculations.

DISCLOSURE EXEMPTIONS ADOPTED

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered between two or more members of the group as they are wholly owned within the group
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share-based payment disclosures
- Disclosures in relation to impairment of assets
- Financial instrument disclosures under IFRS 9

INVESTMENTS

SDI Group plc qualifies for merger relief under Companies Act 2006 s612 and has recorded the investment in Synoptics Limited at the nominal value of the shares issued, less provision for impairment. The shares issued on acquisition of Opus Instruments Limited also qualified for merger relief under Companies Act 2006 s612 and so the premium has been classified as a merger relief reserve. All other investments are recorded at cost, less any provision for impairment.

SDI GROUP PLC

Notes to the Company financial statements For the year ended 30 April 2024

OTHER INTANGIBLE ASSETS

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill providing the assets are separable or they arise from contractual or other legal rights and their fair value can be measured reliably. The fair value of intangible assets in a business combination includes the value of any tax benefit.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives, as follows:

Computer equipment	3 years
--------------------	---------

The asset's residual values and useful lives are reviewed, and adjusted is appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount when an indicator of impairment is identified. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

SHARE OPTIONS

SDI Group plc regularly issues share options to employees, including to employees of portfolio companies. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the income statement over the vesting period of the option. The amount to be expensed is determined by reference to the fair value of the options at the grant date adjusted for the number expected to vest. The expense relating to these options is recognised in the relevant portfolio company income statement. The carrying value of the investment in those subsidiaries is increased by an amount equal to the value of share-based payment charge attributable to the option holders in the respective subsidiaries.

TAXATION

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or it is probable that reversal will not occur in the foreseeable future. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary difference can be utilised.

The carrying value of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part or all of the assets to be recovered.

Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

SDI GROUP PLC

Notes to the Company financial statements For the year ended 30 April 2024

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that results in a residual interest in the assets of the Company after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial asset to another entity.

Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability. Financial liabilities are presented under creditors on the balance sheet.

PENSION

The pension costs charged against profits represent the amount of the contribution's payable to the defined contribution scheme in respect of the accounting period.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Merger reserve relief" represents the difference between the parent company's cost of investment and the portfolio company's share capital and share premium where a group reorganisation qualifies as a common control transaction.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised. The equity component of convertible loan stock, if any, is also included. On conversion of the loan stock the equity component is transferred into the retained earnings reserve.
- "Retained earnings" represents retained profits.

2 EMPLOYEE REMUNERATION

Remuneration in respect of directors paid by the Company was as follows:

	2024	2023
	£'000	£'000
Emoluments	954	1,310
Termination payments	225	-
Social security costs	83	125
Pension	21	21
	1,283	1,456

The comparative figures within this note have been corrected from those presented in the prior year.

During the year, no directors (2023: 2 directors) exercised options over the Ordinary shares of the Company realising no gain on exercise (2023: £703k).

SDI GROUP PLC

Notes to the Company financial statements For the year ended 30 April 2024

Details of directors' interest in the shares and options of the Company are provided in the Directors' remuneration report on pages 45 – 47. The highest paid director aggregate entitlements were £476k (2023: £473k) which included termination payments of £225k (this includes £75k compensation for loss of office), in addition to Company pension contributions of £11k (2023: £14k) made to a money purchase scheme. As at 30 April 2024 the highest paid Director held a total of 411,056 share options (2023: 713,724 share options).

Key management for the Company is considered to be the directors of the Company. Employer's National Insurance in respect of directors was £194k (2023: £96k) which has increased this year due to the exercise of share options.

Share based employee remuneration

Further details of the Company's share-based remuneration are set out in note 8 to the consolidated financial statements. The share-based payment expense for the Company totalled £25k (2023: £173k).

3 AUDITOR'S REMUNERATION

Auditor's remuneration attributable to the Company is as follows:

	2024 £'000	2023 £'000
Fees payable to the company's auditor for the audit of the financial statements	<u>40</u>	<u>40</u>

4 PROPERTY, PLANT AND EQUIPMENT

	Right of Use Assets £'000	Computer equipment £'000	Total £'000
Cost			
At 30 April 2023	24	-	24
Additions	-	58	58
Disposals	-	-	-
At 30 April 2024	<u>24</u>	<u>58</u>	<u>82</u>
Depreciation			
At 30 April 2023	14	-	14
Charge for year	7	-	7
Disposals	-	-	-
At 30 April 2024	<u>21</u>	<u>-</u>	<u>21</u>
Net book value			
At 30 April 2024	<u>3</u>	<u>58</u>	<u>61</u>
At 30 April 2023	<u>10</u>	<u>-</u>	<u>10</u>

SDI GROUP PLC

Notes to the Company financial statements For the year ended 30 April 2024

5 INVESTMENTS

Investments in Group undertakings	2024 £'000
Cost and net book amount as at 1 May 2023	61,567
Additions	2,484
Capitalised capital contribution in Monmouth Scientific Limited	797
Share based payment expense recognised as capital contributions in subsidiaries	103
Cost and net book amount as at 30 April 2024	<u>64,951</u>

Details of the investments are as follows:

Subsidiary undertakings	Country of Incorporation	Holdings	% of voting rights	Nature of Business
Synoptics Limited	England and Wales	Ordinary shares	100%	Design and Manufacture
Atik Cameras Limited	England and Wales	Ordinary shares	100%	Design
Atik Cameras Unipessoal Lda	Portugal	Share quotas	100%	Manufacture
Opus Instruments Limited	England and Wales	Ordinary Shares	100%	Dormant
Sentek Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Astles Control Systems Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Applied Thermal Control Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Fistreem International Limited	England and Wales	Ordinary Shares	100%	Dormant
Thermal Exchange Limited	England and Wales	Ordinary Shares	100%	Dormant
Graticules Optics Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
MPB Industries Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Chell Instruments Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Monmouth Scientific Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Ducthub Limited	England and Wales	Ordinary Shares	100%	Dormant
Labhub Limited	England and Wales	Ordinary Shares	100%	Dormant
Scientific Vacuum Systems Ltd	England and Wales	Ordinary Shares	100%	Design and Manufacture
Safelab Systems Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
LTE Scientific Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Fraser Anti-Static Techniques Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Peak Sensors (Holding) Limited	England and Wales	Ordinary Shares	100%	Holding

The following companies are all held by Synoptics Limited:

Scientific Digital Imaging Limited	England and Wales	Ordinary Shares	100%	Dormant
Synoptics Inc	USA	Ordinary Shares	100%	Distributor

The following companies are held by Fraser Anti-Static Techniques Limited:

Fraser Elektrostatik GmbH	Germany	Ordinary Shares	100%	Distributor
Shanghai Fraser Static Technology Co., Ltd	China	Ordinary Shares	70%	Distributor

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Notes to the Company financial statements For the year ended 30 April 2024

5 INVESTMENTS (CONTINUED)

The following companies are held by Peak Sensors (Holding) Limited:

Peak Sensors (Property) Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
Peak Sensors Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture

All of the companies above have a register office of Beacon House, Nuffield Road, Cambridge, Cambridgeshire, CB4 1TF except for the following:

Atik Cameras Unipessoal Lda	Rua Horta dos Bacelos 15, 2690-390 Santa Iria de Azoia, Portugal
Monmouth Scientific Limited	Monmouth House Peninsula Business Park, Bristol Road, Bridgwater, England, TA6 4QB
Safelab Systems Limited	Airone Building, Beaufighter Road, Weston-Super-Mare, England, BS24 8EE
Synoptics Inc	5108 Pegasus Ct # M, Frederick, MD 21704, United States
Fraser Elektrostatik GmbH	Friedrich-Rottra-Str.66, D-79588 Efringen-Kirchen
Shanghai Fraser Static Technology Co., Ltd	Room 501 Unit 15, No. 159 Tianzhou Road, 200233 Shanghai, China PR

Each of the above investments has been included in the consolidated financial statements. A parental guarantee has been granted to Synoptics Limited (company number 01874861), Applied Thermal Control Limited (Company number 03079409), MPB Industries Limited (company number 04966728), Graticules Optics Limited (company number 01395088), Monmouth Scientific Limited (company number 04716008), Atik Cameras Limited (company number 05948849), Peak Sensors (Holding) Limited (company number 10942202) and Peak Sensors (Property) Limited (company number 10942852), in accordance with the Companies Act 2006 s479A, relating to the audit of its individual accounts. Dormant companies are exempt for filing accounts under section 394 of companies act 2006.

6 DEFERRED TAX

	2024 £'000	2023 £'000
Opening (net)	344	1,106
Deferred tax credited in the income statement	(80)	(682)
Deferred tax included directly in equity	(224)	(80)
At 30 April 2024 (net)	40	344
Short term temporary differences	55	344
Fixed asset temporary differences	(15)	-
At 30 April 2024 (net)	40	344
Deferred tax asset	55	344
Deferred tax liability	(15)	-
At 30 April 2024 (net)	40	344

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company did not recognise deferred tax assets of £261k (2023: £260k) in respect of losses. Total losses (provided and unprovided) totalled £1.0m (2023: £1.3m). These losses are all pre-1 April 2017 and therefore cannot be offset against trading profits of the same trade post 1 April 2017. The deferred tax asset relates to tax deductions for share options as they are exercised.

SDI GROUP PLC

Notes to the Company financial statements For the year ended 30 April 2024

7 TRADE AND OTHER RECEIVABLES

	2024 £'000	2023 £'000
Amounts owed by group undertakings	5,718	3,101
Prepayments and accrued income	146	208
Other debtors	11	36
Corporation tax	1,499	1,747
	<u>7,374</u>	<u>5,092</u>

All debtors fall due within one year of the balance sheet date. No provisions are made for inter-group debtors as the credit risk is not significant. All amounts owed by group undertakings are repayable on demand.

8 TRADE AND OTHER PAYABLES: WITHIN ONE YEAR

	2024 £'000	2023 £'000
Amounts owed to group undertakings	6,249	5,215
Trade creditors	56	21
Finance lease liabilities	2	7
Social security and other taxes	180	131
Contingent consideration	-	961
Accruals and deferred income	492	768
	<u>6,979</u>	<u>7,103</u>

All debtors fall due within one year of the balance sheet date. All amounts owed by group undertakings are repayable on demand. Included with amounts owed to group undertakings is a loan amount on which interest is accrued at the base rate set by the Bank of England, plus 1%.

9 TRADE AND OTHER PAYABLES: GREATER THAN ONE YEAR

	2024 £'000	2023 £'000
Bank loans	14,600	16,000
Amounts owed to Group companies	3,985	2,701
Finance lease liabilities	-	2
	<u>18,585</u>	<u>18,703</u>

10 BORROWINGS

	2024 £'000	2023 £'000
Within one year		
Finance lease liabilities	2	7
	<u>2</u>	<u>7</u>
After one and within five years		
Bank loans	14,600	16,000
Intercompany	3,985	2,701
Finance lease liabilities	-	2
	<u>18,585</u>	<u>18,703</u>
Total borrowings	<u>18,587</u>	<u>18,710</u>

SDI GROUP PLC

Notes to the Company financial statements
For the year ended 30 April 2024

10 BORROWINGS (CONTINUED)

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. 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).

11 CALLED UP SHARE CAPITAL

	2024 £'000	2023 £'000
Authorised		
1,000,000,000 Ordinary shares (2023: 1,000,000,000) of 1p each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid 104,551,326 (2023: 104,050,044) Ordinary shares of 1p each	<u>1,046</u>	<u>1,040</u>

During the year 501,282 Ordinary shares of 1p were issued due to the exercise of options. The 501,282 options had an exercise price ranging from £0.0110 to £0.6490. The Group received £85k consideration, which was allocated £5k to share capital and £80k to share premium.

Share options

A summary of options outstanding currently is provided in note 8 to the consolidated financial statements.

12 RELATED PARTY TRANSACTIONS

Transactions with directors are disclosed within the Directors' remuneration report and note 8 to the consolidated financial statements. The Company is not required to disclose transactions with its wholly owned subsidiaries.

13 ULTIMATE CONTROLLING PARTY

The Directors believe that there is no overall controlling party.

SDI GROUP PLC

SEVEN-YEAR SUMMARY

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000
Revenue	65,846	67,577	49,656	35,076	24,498	17,427	14,496
*Cost of purchases	(24,297)	(24,810)	(17,998)	(12,206)	(7,899)	(5,902)	(4,954)
*Gross profit (on materials only)	41,549	42,767	31,658	22,870	16,599	11,525	9,542
*Gross margin (on materials only) %	63.1%	63.3%	63.8%	65.2%	67.8%	66.1%	65.8%
Other income	104	112	55	21	19	-	-
All other operating costs	(32,075)	(30,070)	(19,640)	(15,191)	(12,016)	(8,423)	(7,196)
*Adjusted Operating Profit	9,578	12,809	12,073	7,700	4,602	3,102	2,346
Reorganisation costs	(447)	-	(125)	(132)	(110)	(124)	(63)
Share based payments	(128)	(351)	(313)	(305)	(276)	(136)	(65)
Acquisition costs	(155)	(331)	(341)	(179)	(58)	(288)	(165)
Impairment of intangible assets	-	(3,520)	-	-	-	-	-
Amortisation of acquired intangible assets	(1,558)	(1,795)	(1,115)	(1,153)	(647)	(356)	(277)
Operating profit	7,290	6,812	10,179	5,931	3,511	2,198	1,776
Net financing expenses	(1,627)	(970)	(295)	(287)	(254)	(77)	(63)
Profit before tax	5,663	5,842	9,884	5,644	3,257	2,121	1,713
Income tax	(1,409)	(1,939)	(2,341)	(936)	(666)	(209)	(98)
Profit for the year	4,254	3,903	7,543	4,708	2,591	1,912	1,616
<i>Attributable to:</i>							
Equity holders of the parent Company	4,231	3,871	7,543	4,708	2,591	1,912	1,615
Non-controlling interest	23	32	-	-	-	-	-
Profit for the year	4,254	3,903	7,543	4,708	2,591	1,912	1,616
Cash generated from operations	9,386	10,873	14,689	11,710	5,169	3,620	2,854
Earnings per share							
Basic earnings per share	4.09p	3.80p	7.53p	4.81p	2.66p	2.10p	1.81p
Diluted earnings per share	4.04p	3.72p	7.23p	4.58p	2.56p	2.05p	1.79p
*Adjusted diluted earnings per share	5.78p	9.02p	8.71p	5.97p	3.43p	2.83p	2.30p

*Alternative performance measure