COMPANY NUMBER 06385396
SDI GROUP ANNUAL REPORT 2023

SDI GROUP PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 April 2023

Company no. 06385396

Company registration number:	06385396
Registered office:	Beacon House Nuffield Road Cambridge CB4 1TF
Directors:	E K Ford (Chairman) M J Creedon (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:	Grant Thornton UK LLP Registered Auditor Chartered Accountants 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
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Highlights

SDI Group plc (SDI) is an AIM quoted company specialising in the design and manufacture of scientific and technology products for use in digital imaging and sensing and control applications including life sciences, healthcare, astronomy, plastics and packaging, manufacturing, precision optics, measurement instrumentation and art conservation. Corporate expansion is via organic growth within its subsidiary companies and through the acquisition of complementary, niche technology businesses with established reputations in global markets.

Why Invest in SDI?

- Buy and build model within life science, industrial products and technology markets
- Spread of technologies and associated supply chains in diverse global sectors
- Sixteen earnings enhancing acquisitions since 2014
- Assembling a portfolio of businesses with niche expertise and sustainable markets
- Independent and agile operating businesses have freedom to innovate and invest for growth

SDI at a glance

Highlights

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

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

Chairman's Statement
for the year ended 30 April 2023

Performance

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

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

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

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

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

As you will read elsewhere in this report, we have written off the Monmouth Scientific and Uniform Engineering goodwill and £0.3m of the two businesses' intangible assets. The total non-cash impairment charge, net of applicable deferred tax, is £3.4m whilst the gross impairment charge is £3.5m. Whilst this is not ideal, we remain confident in Monmouth's future prospects. Its net profit margins have reduced following the end of the pandemic, however the business has remained profitable and has a capable new management team.

The impairment, together with higher intangible amortisation and interest charges, has meant the statutory operating profit has reduced from £10.2m in FY22 to £6.8m this year. Statutory profit before tax has reduced from £9.9m last year to £5.8m in FY23.

Strategy

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

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

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

Corporate Governance

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

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

Board

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

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

Team

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

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

Outlook

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

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

Ken Ford

Ken Ford
Chairman
Date: 7th August 2023

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

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

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

Revenues and Profit

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

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

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

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

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

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

Acquisitions

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

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

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

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

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

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

Operations

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

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

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

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

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

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

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

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

Trading Outlook

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

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

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

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

Mike Creedon

Mike Creedon
Chief Executive Officer
Date: 7th August 2023

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

Revenue and Profits

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

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

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

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

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

Impairment

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

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

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

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

Intangible Assets (excluding R&D)

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

Investment in R&D

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

Interest Payable

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

Taxation

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

Earnings per Share

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

Cash Flow and Working Capital

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

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

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

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

Funding

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

Net debt (excluding lease liabilities), or bank debt less cash, was £13.3m at the end of the year, compared to a net cash position at the beginning of the year of £1.1m. This represents a net debt: EBITDA ratio of 0.9x, which is well within the ceiling provided by our bank facility. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise. In March 2023, HSBC approved an extension of the repayment date by one year to November 2025. The revolving credit facility can be extended for a further year at HSBC's discretion. At the end of the financial year the Group had drawn down £16m of its revolving credit facility (FY22: £4m), leaving £9m in headroom (excluding the additional £5 million accordion option).

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

Amitabh Sharma
Chief Financial Officer
Date: 7th August 2023

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

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

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

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

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

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

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

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

Key Performance Indicators

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

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

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

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.

We have recently 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 a positive step which 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.

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 man-made 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.

FY23 Progress

We consider that a thorough understanding of our current ESG position is a critical first step towards making and quantifying progress over the coming years. As a result, we have completed a benchmarking / gap analysis exercise with our thirteen trading companies that currently comprise the Group. This exercise uncovered a number of areas that SDI Group companies already excel in, as well as areas in which there is room for improvement.

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. The Group is, however, at the start of its journey in terms of several areas of environmental sustainability, such as quantifying and 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 mitigate environmental impacts where they do arise.

FY24 Plan

This year, we are undertaking an ambitious program of sustainability initiatives. For the first time, we will be quantifying the carbon footprints (Scopes 1, 2, and key categories of 3) for all Group companies. We will start with collecting data for FY23 and then will look to extend the scope and quality of our data collection processes for FY24.

Using this 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 longer-term strategy.

We will compile an action plan to enable us to meet our emissions reduction goals and continue to engage and support all subsidiary companies on their ESG journey. We will close out FY24 with another ESG screening exercise, aiming to measure progress to date and set further targets in line with an ever-increasing level of ambition.

We have formalised key policies in the realms of ethical conduct and social / environmental sustainability, including policies addressing modern slavery; diversity, equity, and inclusion; and child labour. SDI Group has, naturally, always acted in an ethical manner and complied with all relevant legislation, with ethics policies and environmental / social safeguards in place since the Group's inception. The standardisation and expansion of these policies at Group level is intended to streamline Group processes for addressing these concerns and underscore our continuing commitment to ethical conduct.

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.
- 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. To reinforce our existing policies, we have recently approved a separate Diversity, Equity and Inclusion policy and an Ethics policy (see separate sections below).
- 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 recently adopted 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.
- 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)

To strengthen our commitment to equal opportunities, we have recently approved a separate DEI policy. This 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.

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.

We will undertake an exercise to collect data over the next twelve months to enable us to report some further statistics to illustrate the diversity of our workforce.

Ethics Policy

Whilst equal opportunities have been long been part of the Group ethos (and included within our staff handbook), we have approved a separate 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 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 subsidiary 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 trading subsidiary 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 natural resources. For example, Atik Cameras in Portugal and Monmouth Scientific have installed solar panels to reduce their energy demands. A number of businesses, such as Graticules, Atik Cameras (Portugal) and Monmouth already recycle 80% or more of their waste. Astles, Atik Cameras (Portugal), Graticules and Scientific Vacuum Systems, have all sourced over 40% of their energy from renewable sources.

Several businesses monitor non-GHG emissions as a routine, including SVS, Safelab Systems, Graticules and Monmouth. 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.

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 Synbiosis 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.

Governance

The Board has set official goals around developing the Group's ESG strategy and refining relevant targets and this was reflected in the personal objectives given to the executive directors. The Board has been kept up to date monthly over FY23 as we have made progress in developing the ESG agenda. Over FY24, it is to become a quarterly standing agenda item to ensure continued focus on and commitment to sustainability.

The Group will additionally include ESG considerations as a key part of our annual strategic planning processes.

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.

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 the COVID-19 pandemic, shipping issues and geopolitical events.

The Group has taken appropriate steps to minimise disruption, including some expansion of stocks, and has cooperated with customers to ensure continuity of their supply chain. We have also invested in software which aids procurement of electronic parts globally.

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.

COVID-19
Risk status: Reduced

The effects of COVID-19 have reduced over the last year but not completely gone away. There have been instances of COVID outbreaks disrupting operations, requiring re-instatement of social distancing protocols.

The Group remains alert to continuing risks.

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: Increased

This risk is included for the first time. The risk of cyber-attacks has increased in recent times.

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: Increased

This risk is included for the first time. 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 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 28.

On behalf of the Board

Amitabh Sharma
Chief Financial Officer
Date: 7th August 2023

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 Gear4music and CMO Group plc both of which are AIM-listed. He is a Fellow of the Chartered Securities Institute.

Mike Creedon
Chief Executive Officer
Mike joined the Board in 2010 as Finance Director, and was appointed CEO in 2012, alongside the Finance Director role until July 2018. A Chartered Certified Accountant with an MBA from Henley Management College, Mike brings to SDI considerable experience of working within quoted companies and technology businesses, and fundraising, mergers and acquisitions. In particular, he has recent experience of AIM-listed technology companies.
Previous Finance Director posts include Ninth Floor plc and Ideal Shopping Direct Limited.

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 Director of the Rights and Issues Investment Trust Plc, Chairman of Nexeon Ltd, Chairman of mOm Incubators ltd and Chairman of Kentoeq Ltd. Andrew holds a PhD in Materials Science and is a Fellow of the Royal Academy of Engineers.

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.

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.

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	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. The Board holds meetings with institutional investors and other large shareholders following the release of the interim and financial results, and in recent years has also presented to smaller shareholders and the general public using the same material with opportunity to ask questions and provide feedback to the Board. 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.	Details of all shareholder communications are provided on our website

3. Taking account of wider stakeholder and social responsibilities and their implications for long-term success	SDI's vision involves encouraging our subsidiary businesses to 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. 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. 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. 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.	The "Section 172" report presented on pages 15-16 in this Annual Report provides further information
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	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. 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. 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. 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. 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.	The Principal Risks and Uncertainties section of this Annual Report sets out some of the principal risks and uncertainties faced by the Group

5. Maintaining the board as a well-functioning, balanced team led by the Chair	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. 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. To support the Board, we have put in place Audit, Remuneration and Nomination Committees all of which have agreed formal terms of reference.	Biographies of the Directors are presented on page 24 in this Annual Report and on our website. Reports of the Board committees are also presented on pages 31 - 34 in this Report.
6. Ensuring the directors have the necessary up-to-date experience skills and capabilities	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. Our directors attend industry and regulatory learning and networking events to keep up to date with relevant developments.	Biographies of the Directors are presented on pages 24 in this Annual Report and on our website.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	We undertake annual 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. Agreed personal objectives and targets are set each year for the executive directors and performance measured against these metrics. Again, this year we performed a formal board evaluation process. The process was 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 were 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.	

8. Promote a corporate culture that is based on ethical values and behaviours	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. 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. 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.	
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board	Our non-executive directors scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance. 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. 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. 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.	Reports of the Board committees are also presented on pages 31 – 34 in this Report.
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	We have set out in section 2 above how we maintain a regular dialogue with our shareholders including welcoming all shareholders to our AGMs.	Further information and the resolutions put to a vote at annual general meetings can be found on our website.

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.

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 38 - 39 and a statement on going concern is given on page 40.

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 31 - 32.

Remuneration Committee

A report of the Remuneration Committee and the Directors' remuneration report can be found on pages 33 - 36.

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 was involved in the recruitment of Andrew Hosty and Louise Early, our recently appointed non-executive directors, over the last financial year. It also met to recruit a new Chief Financial Officer to replace Jon Abell, who retired in 2022.

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	11/11	-	-	2/2
M Creedon	11/11	-	-	-
J Abell*	4/4	-	-	-
A Sharma**	8/8	-	-	-
I Napper*	2/3	1/1	1/1	-
D Tilston	10/11	4/4	5/5	2/2
A Hosty**	8/8	3/3	2/2	1/1
L Early**	3/3	-	1/1	-

* Resigned 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 remuneration committee should not include non-independent or executive members

Ken Ford has retired from the Remuneration Committee; therefore all members are independent.

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.

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

I am pleased to present the Audit Committee report for the year ended 30 April 2023.

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 will complete a self-assessment exercise on its effectiveness using externally sourced material after the Annual Report has been signed.

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.

Role of the external Auditor

The Committee monitors the relationship with its external Auditor, Grant Thornton UK LLP, 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. No issues impacting upon the Auditor's independence were observed or brought to the Committee's attention.

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 Auditor presented their findings to the Committee for discussion, including accounting judgements undertaken in respect of various matters including acquisition accounting, impairment charges and research and development capitalisation.

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.

Risk management and internal controls

The Corporate Governance Statement on pages 25 – 30 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 subsidiary management teams and reporting from the operating subsidiaries. The Group Financial Controller reports to the Committee on any internal controls' weaknesses identified during his visits to subsidiaries. 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 and (b) receiving a report from the external auditors on observations made during their audits of operating subsidiaries and determined that it remains appropriate for the Group's current scale of operations.

David Tilston

David Tilston
Audit Committee Chairman
Date: 7th August 2023

Remuneration Committee

On behalf of the Board, I am pleased to present the report of the Remuneration Committee for the year ended 30 April 2023.

The Committee is chaired by myself and has 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 2023 we met 5 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.

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

- 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 (including the award of shares and share options).

Remuneration of executive directors

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.

My predecessor as Remuneration Committee chair undertook a benchmarking exercise to consider executive compensation. A third-party specialist consultancy was retained to assess the remuneration package for the Chief Executive and to consider the package to offer potential CFO candidates. The purpose of the exercise was to enable the company to retain and attract the best quality executives to support SDI as it continues to grow. In addition, executive compensation decisions were informed by feedback received during the recruitment of our new CFO. As a result of all this, several changes were made, including an increased to basic salaries, and these are outlined below.

The revised remuneration packages covered the following elements:

- Base salary: the Remuneration Committee updated the executive directors base salaries to reflect the responsibilities and the skills, knowledge and experience of the individual and the complexity of the role;
- Bonus Scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration Committee. This was increased to (and capped) at 100% of the individual's salary (previously 50%);
- Long-Term Incentive Plan shares: the executive directors are eligible to receive share options, related to Group performance under the terms of a long-term incentive scheme determined by the Remuneration Committee. This has increased from 50% to 100% of salary.
- Equity: share options awarded as appropriate; and
- Group or cash contribution into a personal pension scheme, life assurance, and private medical insurance.

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 details of the awards already made under the LTIP scheme are set out in the Remuneration Report on page 36.

Remuneration of Chairman and non-executive directors

The fees paid to the non-executive directors are determined by the Board. The Chairman has historically participated in the Group's LTIP scheme however this is no longer the case. The Chairman and non-executive directors do not receive any other forms of benefits such as medical insurance or pension.

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.

Andrew Hosty

Andrew Hosty
Chairman, Remuneration Committee
Date: 7th August 2023

Statement about basis of preparation

While not a statutory requirement, SDI has produced this report, to be read in conjunction with the Report of the Remuneration Committee, to comply with AIM rule 19 and meet the requirements of the QCA code.

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

	Salary / Fees £'000	Bonus £'000	Taxable Benefits £'000	Share based payment charge £'000	Pension £'000	2023 Total £'000	2022 Total £'000
K Ford	69	-	-	29	-	98	98
M Creedon	265	108	2	84	14	473	338
I Napper*	10	-	-	-	-	10	34
D Tilston	39	-	-	-	-	39	34
J Abell*	54	75	-	12	3	144	241
A Sharma**	182	-	1	45	-	228	-
A Hosty**	29	-	-	-	-	29	-
L Early**	10	-	-	-	-	10	-
	658	183	3	170	17	1,031	745

*Resigned during the year
**Appointed during the year

During the year, 2 directors (2022: 5 directors) exercised options over the Ordinary shares of the Company realising a gain on exercise of £703k (2022: £4,343k). The share-based payment expense totalled £170k (2022: £191k). Mike Creedon's basic salary was increased from £215,000 per annum to £300,000 per annum on 1 August 2022. He receives a 5% contribution into a pension scheme. Ami Sharma's basic salary on joining was £235,000 per annum, plus a 5% cash allowance in lieu of pension contributions.

Directors' beneficial interests

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

	2023 Number	2022 Number
K Ford	885,217	1,015,217
M Creedon	351,372	774,625
I Napper*	-	65,000
D Tilston	100,000	100,000
J Abell*	-	371,739
A Sharma**	12,197	-

*Resigned during the year
**Appointed during the year

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:

	2023 Number	2022 Number
K Ford	175,835	175,835
M Creedon	713,724	712,974
J Abell*	-	645,864
A Sharma**	211,056	-

*Resigned during the year
**Appointed during the year

Service contracts

The service contracts with M Creedon dated 25 April 2010 and with A Sharma dated 8 August 2022 include a notice period of six months if given by either party.

The non-executive Directors' service contracts and the service contract of the Chairman include a notice period of three months if given by either party.

Long Term Incentive Plan ("LTIP")

This LTIP was introduced in December 2018 to provide an effective mechanism for senior executives to participate in the company's equity, aligning their interests with those of the shareholders. The LTIP scheme overall has a duration of ten years and provides for a maximum of 10% of the company's equity to be granted (under all schemes) to executives in that period, subject to performance conditions which are set for each award. Awards under the scheme in previous years have been made in December 2018, March 2020 and in October 2021.

An award was made on 25 October 2022 with performance conditions based for 50% on the growth in fully diluted Earnings Per Share in the three years starting 1 May 2022 and for 50% on the total shareholder return over three years for SDI shareholders 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 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:

	25 October 2022 award	**Total awards**
K Ford	-	175,835
M Creedon	179,622	453,124
A Sharma*	211,056	211,056

*Appointed during the year

On 19 March 2023, 96% of the options awarded under the scheme in March 2020 vested and the remaining 4% had lapsed as they related to a director who had left during the period.

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 176p and ranged from 144p to 200p during the year. The exercise price of the ordinary options ranges from £0.172 to £1.740, and of LTIP options is £0.010.

In March 2023, the Remuneration Committee reviewed and made minor updates to the rules of the 2018 LTIP Scheme to further align them to best and market practice where relevant.

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.

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 £3.9m (2022: £7.5m) and has been transferred to reserves.

All KPIs and risks are disclosed in the Strategic Report on page 14.

The Board does not recommend the payment of a dividend.

Directors

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

K Ford
M Creedon
I Napper (resigned 8 August 2022)
D Tilston
J Abell (resigned 21 September 2022)
A Sharma (appointed 8 August 2022)
A Hosty (appointed 8 August 2022)
L Early (appointed 1 February 2023)

The interests of the directors and their families in the share capital of the Company are shown in the directors' remuneration report on pages 35 - 36. 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 21 September 2022, 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 £340,000;
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £51,100.

We have reviewed the latest Pre-Emption Group Statement of Principles 2022 in preparation of the forthcoming AGM expected to be held on 29 September 2023. 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.

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 55 - 60.

The Group ended FY23 with net debt of £13.3m compared to a net cash position of £1.1m as at 30 April 2022 and generated free cash flow (before acquisition consideration) of £6.4m. Free cash flow was lower than FY22 due to a £3.5m unwind of previous customer advances received and a £2.9m increase in inventories, £0.8m of which was for Scientific Vacuum Services to build a sputtering machine for a customer and the rest to mitigate against component shortages. This was offset by a £2.7m reduction in debtors. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. £16m was drawn down under this facility at the year-end (see note 22). In March 2023, HSBC approved an extension of the repayment date by one year to November 2025. This provides the Group with greater certainty over long-term liquidity.

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

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

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. 65 employees were employed for development activities in the year (2022: 51).

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 2023 the Company's authorised share capital was £10,000,000 comprising 1,000,000,000 ordinary shares of 1p each. As at 30 April 2023 the Company had 104,050,044 (2022: 102,199,676) ordinary shares in issue with a nominal value of 1p each.

Corporate Governance

Corporate Governance is discussed on pages 25 – 30.

Financial Risk Management Objectives And Policies

Financial risk management objectives and policies are discussed in note 28.

Employee Engagement With Other Stakeholders

The company engages with its employees and other stakeholders as disclosed in the Section 172(1) statement on pages 15-16.

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 does not report under SECR as none of its subsidiary undertakings are large companies. The parent company is exempt from reporting as it is a low energy user consuming less than 40MWh per annum. We are aware of the new TCFD and ES1/2 standards that take effect next year and we will reassess the relevant reporting requirements as such.

Substantial Shareholdings

As at 7 August 2023 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
Berenberg Wealth and Asset Management	9,651,726	9.30%
Danske Bank A/S	8,316,714	8.00%
Herald Investment Management	8,178,149	7.90%
Business Growth Fund	6,336,526	6.10%
JPMorgan Asset Management	5,020,733	4.90%
Tellworth Capital	4,740,329	4.60%
Vind A/S	4,349,293	4.20%
Octopus Investments	3,719,640	3.60%
Hargreaves Lansdown	3,629,335	3.50%
Killik & Co	3,463,534	3.30%
Charles Stanley	3,123,307	3.00%

Auditor

A resolution to re-appoint Grant Thornton UK 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

Ken Ford
Chairman
Date: 7th August 2023

Mike Creedon

Mike Creedon
Chief Executive Officer
Date: 7th August 2023

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of SDI Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2023, which comprise the consolidated income statement and statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cashflows, the consolidated statement of changes in equity, the notes to the Consolidated financial statements including a summary of significant accounting policies, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of 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 parent 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).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 the parent 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent 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 2025, assessing how these forecasts were compiled and assessing their appropriateness by applying sensitivities to the underlying assumptions, which we also challenged;
- obtaining management's downside scenario, which reflects management's assessment of uncertainty and the mitigating actions in place, and evaluating the assumptions regarding reduced trading levels under this scenario;
- obtaining management's reverse stress test, which reflects management's assessment of an implausible scenario of how the base case scenario can be broken, which would result in a material uncertainty related to going concern, and assessing whether this represents an implausible 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.

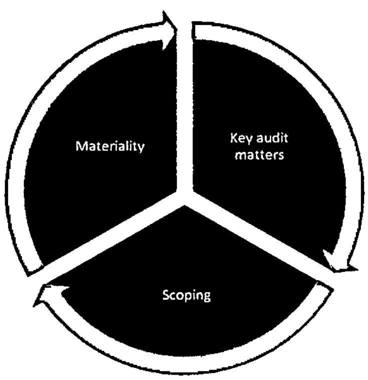
In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine and inflationary environment in the UK, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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.

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 and the parent 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 approach to the audit

<table>
<tr><td rowspan="3">Grant Thornton

</td><td>Overview of our audit approach</td></tr>
<tr><td>Overall materiality:

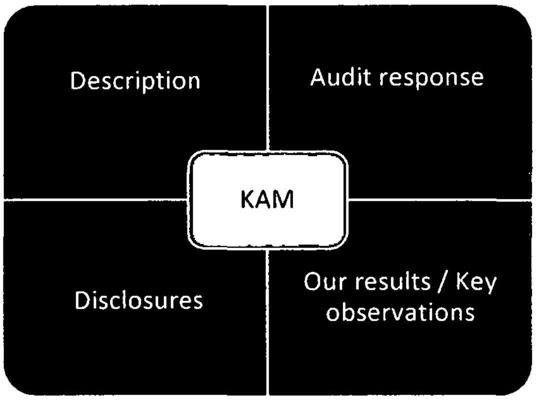
Group: £480,000 which represents approximately 5% of the group's profit before tax before exceptional items at the fieldwork stage of the audit.

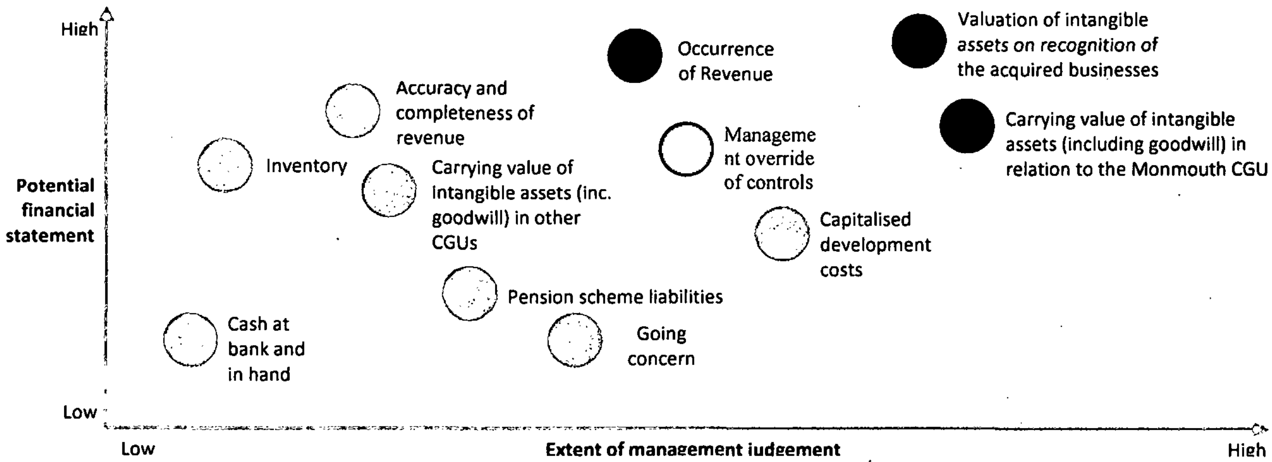
Parent company: £312,000 which represents approximately 2% of the parent company's total assets, capped at 65% of group materiality.</td></tr>
<tr><td>Key audit matters were identified as:
• Occurrence of revenue (same as previous year);
• Valuation of intangible assets on recognition of the acquired businesses (same as previous year): and</td></tr>
</table>

	• Carrying value of intangible assets (including goodwill) in relation to the Monmouth Cash Generating Unit (CGU) (same as previous year). Our auditor's report for the year ended 30 April 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.
	We performed an audit of the financial information of components using component materiality (full-scope audits) of the financial statements of the parent Company, SDI Group plc, and of the financial information of five other significant components of the group, and specified audit procedures on the financial information of six components (specified audit procedures), to gain sufficient appropriate audit information at group level. This gave coverage of 77% of the group's revenue and 84% of the group's profit before tax before the impairment of intangible assets. All other components of the group were selected as 'neither significant nor material', and analytical procedures were performed. The type of work performed on components changed from prior year due to changes in the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that we identified. These matters included those that 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. In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.





●	**Key audit matter**	○	**Significant risk**	○	**Other risk**

Key Audit Matter – Group	How our scope addressed the matter – Group
Occurrence of Revenue We identified improper revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. There is an incentive for performance to be inflated through improper revenue recognition. This risk is therefore judged to be due to fraud. The group has recognised revenue of £67.6m (2022: £49.7m) during the year, which is comprised of revenue from sales of goods and income service contracts. The group's revenue 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 was pinpointed to: • transactions that did not follow the normal business process for certain subsidiaries; • a contract which was highly material to a subsidiary and the group; and • estimates involved in recognising revenue overtime in relation to open contracts.	In responding to the key audit matter, we performed the following audit procedures: • assessing whether the revenue recognition accounting policy for each type of revenue was consistent with IFRS 15 and checked that these policies were applied correctly for the revenue items selected for testing. For transactions not following normal business processes: • performing audit data analytics procedures to identify unexpected transactions impacting the revenue cycle, which were then tested; and • testing the occurrence of revenue arising from the sale of goods by selecting a sample of transactions throughout the year and agreeing them supporting documentation. For a material contract: • testing 100% of the transactions for the contract in the year, obtaining the proof of despatch, invoice and cash received, and assessed whether this was in line with the contract terms and our expectations. For revenue overtime with unfulfilled performance obligations: • testing the occurrence of revenue arising from service contracts 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.
Relevant disclosures in the Annual Report and Accounts 2023 • Financial statements: Note 3, Principal Accounting Policies and Note 5, Segmental Analysis.	**Key Observation** Based on our audit work, we identified an adjustment to revenue of £1.5 m which has been posted by management. The adjustment related to amendment to accounting for contracts from over-time to point in time recognition basis. No further material misstatements were noted in respect of revenue recognised in the year nor any instances of revenue not being recognised in accordance with the group's accounting policies.
Valuation of intangible assets on recognition of the acquired businesses We identified the valuation of intangible assets on recognition of the acquired businesses as one of the most significant assessed risks of material misstatement due to error. The group acquired two businesses in the year – LTE Scientific Limited and Fraser Anti-Static Techniques Limited. At 30 April 2023, the group recognised £10.4m of intangibles relating to the acquired businesses. There is a risk that the intangible assets, including goodwill, are not recognised in accordance with IFRS 3 'Business Combinations'.	In responding to the key audit matter, we performed the following audit procedures: • assessing the group's accounting for acquisitions to check whether it was in accordance with the group's financial reporting framework, including IFRS 3; • obtaining the sale purchase agreements for each acquisition, to ensure the completeness of consideration recorded by management; • obtaining supporting purchase price allocations, prepared by management or their expert to support the valuation of intangible assets acquired; • considering the competency of experts used by management to determine the fair value of intangible assets to be recognised;

Key Audit Matter – Group	How our scope addressed the matter – Group
In addition, 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. Due to the inherent uncertainty and key assumptions involved in management's calculation of the valuation of acquired intangible assets, we identified the risk as a significant risk.	• 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. • Evaluating the acquisition accounting documents prepared by management for the two acquisitions made in the year, and evaluating the assets recognised at fair value, considering if the fair value uplifts are appropriate. • recalculating the fair value of consideration paid in respect of both acquisitions to determine whether these have been accurately recorded; and • using an auditor's expert 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.
Relevant disclosures in the Annual Report and Accounts 2023 Financial statements: Note 2, Accounting Judgements and Estimates, Note 3, Principal Accounting Policies, and Note 31, Business Combinations.	**Our Results** Based on our audit work, we did not identify any material misstatements in the valuation of intangible assets on recognition of the acquired businesses.
Carrying value of intangible assets (including Goodwill) in relation to the Monmouth CGU We identified the risk of impairment of intangible assets in relation to the Monmouth CGU as one of the most significant assessed risks of material misstatement due to fraud. 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 and intangible assets with an indefinite useful life is appropriate. The goodwill of the Monmouth CGU was determined to be fully impaired by management as at 30 April 2023, resulting in an exceptional charge of £3.5m (2022: £nil) which included an element allocated to other intangible assets. The impairment review is performed by comparing the carrying value of the identified cash generating unit with the recoverable amount, being the higher of value in use or fair value less costs to sell. Management's assessment of the potential impairment incorporates significant judgements. Due to the inherent uncertainty, we identified the risk of impairment of intangible assets as a significant risk.	In responding to the key audit matter, we performed the following audit procedures: • obtaining and assessed the mathematical accuracy of management's impairment model; • corroborating and challenged management's key assumptions to ensure they are reasonable and in line with the requirements of IAS 36; • using an auditor's expert to assess and challenge management on the appropriateness of the discount rate applied, by calculating an appropriate discount rate and applying sensitivities; • performing sensitivity analysis on other key assumptions in the impairment model; and • Challenging management on disclosures regarding goodwill impairment

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2023 • Financial statements: Note 2 Accounting Judgements and Estimates, Note 3, Principal Accounting Policies, and Note 11, Intangible Assets.	**Our results** Based on our audit work, we agree with management's assessment that Monmouth CGU has been impaired based on its discounted future cashflows.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

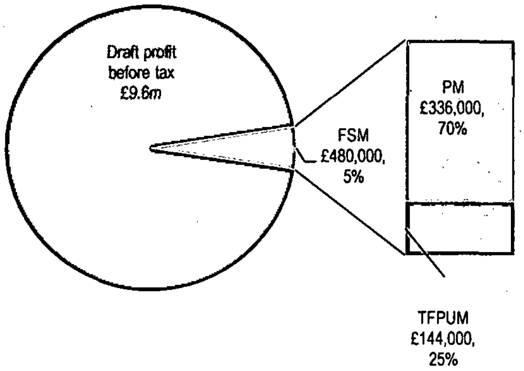
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£480,000, which is approximately 5% of the group's profit before tax before exceptional items at the fieldwork stage of the audit.	£312,000, which is 2% of the parent company's total assets, capped at 65% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • Profit before tax is considered the most appropriate benchmark, as this is a key performance indicator used by the business. • A measurement percentage was chosen which reflected our knowledge of the business from prior year audits and aligns with our firm's methodology. Materiality for the current year is lower than the level that we determined for the year ended 30 April 2022 to reflect the decrease in profit before tax before exceptional items this year.	In determining materiality, we made the following significant judgements: • An asset-based benchmark was considered the most appropriate benchmark because the parent company is a holding company and does not trade. • We used a measurement percentage of 2% of total assets, which was then capped at 65% of group materiality. Materiality for the current year is lower than the level that we determined for the year ended 30 April 2022 to reflect a lower cap due to aggregate component materialities reaching the firm's permitted threshold.
Significant revisions to the materiality threshold that were made as the audit progressed.	We calculated materiality as £517,000 at the planning stage of the audit based on the estimated profit before tax. As the profit before tax was significantly lower at the fieldwork stage, we chose to re-assess materiality and revised our procedures accordingly. The final profit included an adjustment for an impairment of goodwill as described in the KAM section above. We chose not to revise our materiality once the final profit before tax was known and we consider the impairment to be an exceptional item.	We calculated materiality as £285,000 at the planning stage of the audit based on the estimated total assets. This was re-assessed at the fieldwork stage based on the revision to group profit before tax, and no change was required to our audit procedures. We chose not to revise our materiality once the final amount for total assets was known.

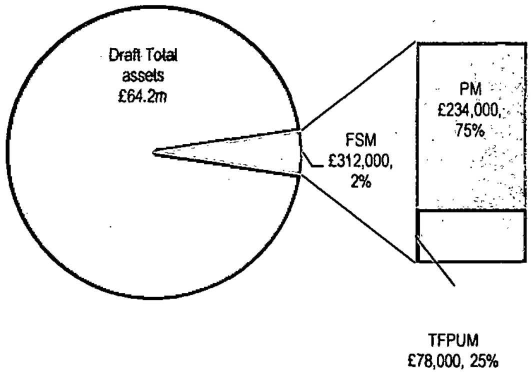
Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£336,000, which is 70% of financial statement materiality.	£234,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • that there were no significant adjustments identified in the 2022 audit; and • however, there were significant control points raised in the prior year. Therefore we elected to set 70% as our performance materiality threshold.	In determining performance materiality, we made the following significant judgements: • that there were no significant adjustments identified in the 2022 audit; and • no significant control points were identified within the parent company audit in the prior year. Therefore we elected to set 75% as our performance materiality threshold.
Significant revisions of performance materiality threshold that were made as the audit progressed	We calculated performance materiality at the planning stage of the audit to be £361,000 based on 70% of the financial statement materiality. Performance materiality was re-assessed at the fieldwork stage, based on the revision to financial statement materiality. No changes were made to the measurement percentage used as a result of revised figures.	We calculated performance materiality at the planning stage of the audit to be £213,000, based on 75% of planning materiality. Performance materiality was re-assessed at the fieldwork stage, based on the revision to financial statement materiality. No changes were made to the measurement percentage used as a result of revised figures.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£24,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM:Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, including group-wide controls and IT general controls, and assessed the risks of material misstatement at the group level;
- All financial reporting is based in the UK, other than for Perseu Comercio de Equipamento Para Informatic E Astronomica SA, which is based in Portugal. Each subsidiary has an accounting function which reports to the UK based Group finance team; and
- The engagement team obtained an understanding of the group's organisational structure and considered its effect on the scope of the audit, identifying that the group financial reporting process is centralised;

Identifying significant components

- Significant components were identified through assessing their relative share of the key financial metrics including revenue and profit before tax. These metrics were used to identify components classified as 'individually financially significant to the group' and a full-scope audit was performed.
- Other components were selected where we determined there to be a specific risk profile within those components and were included in the scope of our group audit procedures to provide sufficient coverage for the group's results. For these components, specified audit procedures were performed.

- All other components of the group were selected as 'neither significant nor material', and analytical procedures were performed.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Performance of full scope audits of the financial information of SDI Group plc, Atik Cameras Limited, Perseu Comercio de Equipamento Para Informatic E Astronomica SA, Fraser Anti-static Techniques Limited, LTE Scientific Limited, and Monmouth Scientific Limited. These full-scope audits included all of our audit work on the identified key audit matters as described above.
- Specified audit procedures were performed on the financial information of the following components: Astles Control Systems Limited, Chell Instruments Limited, Safelab Systems Limited, Scientific Vacuum Systems Limited, Sentek Limited, and Applied Thermal Control Limited;
- Analytical procedures were performed on the financial information of all other components using group materiality; and
- Testing performed covered 78% of group revenue, either through full-scope or specified audit procedures, and 84% of profit before tax.

Performance of our audit

During our audit, all procedures over the full-scope audits, specified audit procedures and analytical review, were performed by the group engagement team, aside from the full-scope testing of Perseu Comercio de Equipamento Para Informatic E Astronomica SA, which was performed using a separate engagement team consisting of staff from a Grant Thornton International Limited member firm.

Audit approach	No. of components	% coverage revenue	% coverage profit before tax
Full-scope audit	6	46	57
Specified audit procedures	6	31	27
Analytical procedures	10	23	16

In the current year, the group engagement team made site visits to all significant components and entities which were subject to specified audit procedures.

Communication with component auditors

The group engagement team communicated with one overseas component auditor, in order to perform a full-scope audit, throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures.

Changes in approach from previous period

Due to changes in the group, including acquisitions in the year, the type of work performed at components changed.

Other information

The other information comprises the information included in the financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the financial statements. Our opinion on the 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent 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.

Matters on which we are required to report by exception

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 set out on pages 37 – 38, the directors are responsible for the preparation of the 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 financial statements, the directors are responsible for assessing the group's and the parent 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 parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

- We obtained an understanding of the legal and regulatory frameworks that are most applicable to the group and the parent company and the industry that they operate. We determined the most significant are those that relate to the financial reporting framework, being UK-adopted international accounting standards for the group, United Kingdom Generally Accepted Accounting Practice (for the parent company) and the Companies Act 2006, together with relevant tax compliance regulations, and other laws and regulations in areas where components operate. In addition, we concluded that there are certain other significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, being laws and regulations relating to health and safety, employee matters, and bribery and corruption practices.
- We inquired of management, the finance team, and the board of directors about the group's and parent company's policies and procedures relating to:
  - The identification, evaluation, and compliance with laws and regulations;
  - The detection and response of risks to fraud; and
  - The establishment of internal controls to mitigate risks of fraud and non-compliance with laws and regulations.
- We obtained an understanding of how the group and the parent company are complying with legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee. We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically acquisition accounting and the impairment of intangible assets, all of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues. Audit procedures performed by the engagement team to address these risks included:
  - Identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - Obtaining an understanding of how those charged with governance considered and addressed the potential for management override of controls or other inappropriate influence over the financial reporting process;
  - Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and

  - Challenging assumptions and judgements made by management in its significant accounting estimates

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the group and the parent company operate; and
  - understanding of the legal and regulatory frameworks applicable to the group and the parent company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We inquired of the component auditor to request details of any instances of non-compliance with laws and regulations that could give rise to a material misstatement of the group financial statements.

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.

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.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 7th August 2023

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

	Note	2023 £'000	2022 £'000
Revenue	5	**67,577**	49,656
Cost of sales	17	**(24,810)**	(17,998)
Gross profit		**42,767**	31,658
Other income		**112**	55
Operating expenses		**(32,547)**	(21,534)
Impairment of intangible assets	11	**(3,520)**	-
Total operating expenses		**(36,067)**	(21,534)
Operating profit	4	**6,812**	10,179
Net financing expenses	9	**(970)**	(295)
Profit before tax	4 & 6	**5,842**	9,884
Income tax	10	**(1,939)**	(2,341)
Profit for the year		**3,903**	7,543
Attributable to:			
Equity holders of the parent company		**3,871**	7,543
Non-controlling interest		**32**	-
Profit for the year		**3,903**	7,543

Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Profit for the year		**3,903**	7,543
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement of net defined benefit liability	8	**95**	-
Items that will be reclassified subsequently to profit and loss:			
Exchange differences on translating foreign operations		**142**	(46)
Total comprehensive income for the year		**4,140**	7,497
Attributable to:			
Equity holders of the parent company		**4,108**	7,497
Non-controlling interest		**32**	-
Total comprehensive income for the year		**4,140**	7,497

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

Earnings per share

Basic earnings per share	**25**	**3.80p**	7.53p
Diluted earnings per share	**25**	**3.72p**	7.23p

All activities of the Group are classed as continuing.

The results attributable to business combinations in the year are disclosed in note 31.

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

SDI GROUP PLC

Consolidated balance sheet
As at 30 April 2023

Company registration number: 06385396	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	11	**41,350**	36,035
Property, plant and equipment	12	**8,219**	4,074
Right-of-use leased assets	13	**6,469**	7,305
Investments in associated undertakings	14	**24**	-
Deferred tax asset	16	**734**	1,586
		56,796	49,000
Current assets			
Inventories	17	**13,504**	7,273
Trade and other receivables	18	**11,980**	7,544
Cash and cash equivalents	19	**2,711**	5,106
		28,195	19,923
Total assets		**84,991**	68,923
Liabilities			
Non-current liabilities			
Borrowings	15 & 22	**(21,996)**	(10,656)
Provisions for liabilities and charges			
Deferred tax liability	16	**(5,336)**	(4,417)
		(27,332)	(15,073)
Current liabilities			
Trade and other payables	20	**(15,444)**	(16,089)
Provisions for warranties	21	**(67)**	(163)
Borrowings	15 & 22	**(745)**	(779)
Current tax payable		**(111)**	(1,027)
		(16,367)	(18,058)
Total liabilities		**(43,699)**	(33,131)
Net assets		**41,292**	35,792
Equity			
Share capital	24	**1,041**	1,022
Merger reserve		**2,606**	2,606
Merger relief reserve		**424**	424
Share premium account		**10,778**	9,905
Share based payment reserve		**557**	320
Foreign exchange reserve		**181**	39
Retained earnings		**25,673**	21,476
Total equity due to shareholders		**41,260**	35,792
Non-controlling interest		**32**	-
Total equity		**41,292**	35,792

The financial statements were approved and authorised for issue by the Board of Directors on 7th August 2023.

Mike Creedon

Mike Creedon
Director

Amitabh Sharma
Director

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

SDI GROUP PLC

Consolidated statement of cashflows
As at 30 April 2023

	Note	2023 £'000	2022 £'000
Operating activities			
Net profit for the year		**3,903**	7,543
Depreciation	**12 & 13**	**1,941**	1,197
Amortisation	**11**	**2,315**	1,576
Finance costs and income	**9**	**970**	295
Impairment of intangible assets	**11**	**3,520**	30
Decrease in provisions	**21**	**(96)**	(97)
Taxation in the income statement		**1,939**	2,341
Employee share-based payments		**351**	313
Operating cash flows before movement in working capital		**14,843**	13,198
Increase in inventories		**(2,929)**	(365)
Decrease in trade and other receivables		**2,689**	652
(Decrease)/increase in trade and other payables		**(3,730)**	1,204
Cash generated from operations		**10,873**	14,689
Interest paid		**(970)**	(295)
Income taxes paid		**(2,161)**	(1,290)
Cash generated from operating activities		**7,742**	13,104
Investing activities			
Capital expenditure on fixed assets	**12**	**(1,085)**	(1,426)
Sale of property, plant and equipment		**84**	66
Expenditure on development and other intangibles	**11**	**(323)**	(415)
Acquisition of subsidiaries, net of cash	**31**	**(21,056)**	(10,995)
Net cash used in investing activities		**(22,380)**	(12,770)
Financing activities			
Finance leases repayments	**23**	**(789)**	(583)
Proceeds from bank borrowing	**23**	**15,000**	9,000
Repayment of borrowings	**23**	**(3,000)**	(8,086)
Issues of shares and proceeds from option exercise	**24**	**892**	651
Net cash from financing		**12,103**	982
Net changes in cash and cash equivalents		**(2,535)**	1,316
Cash and cash equivalents, beginning of year		**5,106**	3,836
Foreign currency movements on cash balances		**140**	(46)
Cash and cash equivalents, end of year		**2,711**	5,106

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 2023

	Share capital	Merger reserve	Merger relief reserve	Foreign exchange	Share premium	Share based payment reserve	Retained earnings	Non-controlling interest	Total
	£'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**
Shares issued	19	-	-	-	873	-	-	-	892
Tax in respect of share options	-	-	-	-	-	-	117	-	117
Share based payment transfer	-	-	-	-	-	(114)	114	-	-
Share based payment charge	-	-	-	-	-	351	-	-	351
Transactions with owners	19	-	-	-	873	237	231	-	1,360
Profit for the year	-	-	-	-	-	-	3,871	32	3,903
Other comprehensive income for the year:									
Actuarial gain on defined benefit pension	-	-	-	-	-	-	95	-	95
Foreign exchange on consolidation of subsidiaries	-	-	-	142	-	-	-	-	142
Total comprehensive income for the period	-	-	-	142	-	-	3,966	32	4,140
Balance at 30 April 2023	**1,041**	**2,606**	**424**	**181**	**10,778**	**557**	**25,673**	**32**	**41,292**

SDI GROUP PLC

Consolidated statement of changes in equity
As at 30 April 2023

	Share capital	Merger reserve	Merger relief reserve	Foreign exchange	Share premium	Share based payment reserve	Retained earnings	Non-controlling interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 April 2021	984	2,606	424	85	9,092	714	12,869	-	26,774
Shares issued	38	-	-	-	813	-	-	-	851
Tax in respect of share options	-	-	-	-	-	-	357	-	357
Share based payment transfer	-	-	-	-	-	(707)	707	-	-
Share based payment charge	-	-	-	-	-	313	-	-	313
Transactions with owners	38	-	-	-	813	(394)	1,064	-	1,521
Profit for the year	-	-	-	-	-	-	7,543	-	7,543
Foreign exchange on consolidation of subsidiaries	-	-	-	(46)	-	-	-	-	(46)
Total comprehensive income for the period	-	-	-	(46)	-	-	7,543	-	7,497
Balance at 30 April 2022	1,022	2,606	424	39	9,905	320	21,476	-	35,792

1 REPORTING ENTITY

SDI Group plc, a public limited company, is the Group's ultimate parent. It is registered and domiciled in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in note 4 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 55 - 60.

The Group ended FY23 with net debt (excluding lease liabilities) of £13.3m compared to a net cash position of £1.1m as at 30 April 2022 and generated free cash flow (before acquisition consideration) of £6.4m. Free cash flow was lower than FY22 due to a £3.5m unwind of customer advances received in previous periods and a £2.9m increase in inventories - to mitigate against component shortages and build an asset for shipping to a customer in FY24. This was offset by a £2.7m reduction in debtors. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. £16m was drawn down under this facility at the year-end (see note 22). In March 2023, HSBC approved an extension of the repayment date by one year to November 2025. This provides the Group with greater certainty over long-term liquidity.

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

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

CHANGES IN ACCOUNTING POLICIES

At the date of approval of these financial statements, certain new standards, 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 company has changed its accounting policy regarding the accounting for deferred and contingent consideration which are now accounted for on an accruals rather than cash basis as detailed in note 20.

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

Pension scheme
The liabilities in respect of the defined benefit pension scheme are calculated by qualified actuaries and received by the Group. The principal uncertainty lates to the estimation of the discount rate, life expectations of scheme members, future investment yields and general market conditions for factors such as inflation and interest rates. The specific assumptions adopted are disclosed in detail in note 8.

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 31.

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 future discounted cash flows. 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 11.

Assessment of the percentage of completion of long-term contract
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 2022.

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. 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 subsidiary 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. 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 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 not 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 annually 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, 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.

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.

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	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.

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 subsidiary'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 subsidiary 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 subsidiary 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.

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.

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.

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.

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.

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 allocated 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.

INVESTMENTS

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over these policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted by post-acquisition changes in the Group share of the net assets of the associate. Losses of an associate in the excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investments in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the associate at the date of acquisition is recognised in goodwill. The goodwill is included within the carrying value of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of the acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e., discount on acquisition) is credited in profit and loss in the year of acquisition. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provisioning is made for impairment.

Where the Group disposes of its entire interest in an associate, a gain or loss is recognised in the income statement on the difference between the amount received on the sale of the associate less the carrying value and costs of disposal.

4 ALTERNATIVE PERFORMANCE MEASURES

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

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

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

Adjusted Profit Before Tax is defined as follows:

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

Adjusted EPS is defined as follows:

	2023 £'000	2022 £'000
Profit for the year	**3,903**	7,543
Adjusting items (all costs):		
Non-underlying items		
Share based payments	**351**	313
Amortisation of acquired intangible assets	**1,795**	1,115
Exceptional items		
Reorganisation costs	**-**	125
Impairment of intangible assets (net of tax)	**3,441**	-
Acquisition costs	**331**	341
Total adjusting items	**5,918**	1,894
Less taxation on adjusting items calculated at the UK statutory rate	**(369)**	(360)
Adjusted profit for the year	**9,452**	9,077
Divided by diluted weighted average number of shares in issue (note 25)	**104,799,252**	104,259,085
Adjusted Diluted EPS	**9.02p**	8.71p

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

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

5 SEGMENT ANALYSIS

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

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

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

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

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.

	2023 Total £'000	2022 Total £'000
Operating assets excluding acquired intangible assets		
Digital Imaging	**7,585**	7,501
Sensors & Control	**32,155**	19,045
Other	**1,075**	247
Group	**40,815**	26,793
Acquired intangible assets		
Digital Imaging	**4,844**	5,019
Sensors & Control	**35,888**	30,282
Group	**40,732**	35,301
Operating Liabilities		
Digital Imaging	**(1,489)**	(4,905)
Sensors & Control	**(11,024)**	(7,075)
Other	**(2,038)**	(968)
Group	**(14,551)**	(12,948)
Net operating assets		
Digital Imaging	**10,940**	7,616
Sensors & Control	**57,019**	42,251
Other	**(963)**	(720)
Group	**66,996**	49,147
Depreciation		
Digital Imaging	**506**	474
Sensors & Control	**1,428**	717
Other	**7**	7
Group	**1,941**	1,198

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:

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

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

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

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

Non-current assets by location	2023 £'000	2022 £'000
United Kingdom	**55,668**	46,721
Portugal	**701**	586
America	**89**	107
	56,458	47,414

6 PROFIT BEFORE TAXATION

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

	2023 £'000	2022 £'000
Amortisation of intangible assets	**2,315**	1,576
Depreciation charge for the year - Right-of-use assets	**896**	549
Depreciation charge for the year - Other assets	**1,045**	649
Impairment of intangible assets	**3,520**	-
Fees payable to the Company's Auditor in respect of audit services:		
- Audit of Group consolidated accounts	**101**	30
- Audit of Company's subsidiaries pursuant to legislation	**230**	265
- Audit of overseas subsidiaries	**9**	15
Fees paid to the auditor and its associates in respect of other services:		
- Audit related assurance services	**14**	12
Currency exchange loss	**(31)**	(18)
Reorganisation costs	**-**	125
Acquisition costs	**331**	341

7 DIRECTORS' AND EMPLOYEES' REMUNERATION

Staff costs during the year were as follows:

	2023 £'000	2022 £'000
Wages and salaries (including reorganisation costs and other termination benefits £94k (2022: £2k))	**18,738**	11,773
Social security costs	**2,071**	1,165
Share based payment charge	**351**	313
Employer's National Insurance costs on share-based remuneration	**62**	165
Pension contributions	**697**	488
	21,919	13,904

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 35 – 36.

Total emoluments of £473k (2022: £338k) were paid to the highest paid director during the year.

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

	2023 Number	2022 Number
Administration	**121**	79
Production	**271**	193
Product development	**49**	53
Sales and marketing	**48**	29
	489	354

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, 609,200 of such options were granted under these schemes, at exercise prices ranging from £1.565 to £1.630. The weighted average remaining contractual life of all outstanding options under these schemes is 5.47 years.

In addition, in December 2018, a Long-Term Incentive Plan (LTIP) was approved by the Board of directors. 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. The exercise price for these options is 1p each, being the nominal value of SDI shares.

7 DIRECTORS' AND EMPLOYEES' REMUNERATION (CONTINUED)

A summary of options outstanding currently is as follows:

Scheme	Options outstanding as at 1 May 2022	Granted	Lapsed	Exercised	Options outstanding as at 30 April 2023	of which exercisable	Weighted average exercise price
EMI, Approved	1,855,672	-	-	(1,703,872)	151,800	121,800	£0.313
EMI, Unapproved	1,411,600	609,200	(286,500)	(52,500)	1,681,800	260,600	£1.377
LTIP	595,201	390,678	(41,008)	(93,996)	850,875	346,137	£0.010
Total	**3,862,473**	**999,878**	**(327,508)**	**(1,850,368)**	**2,684,475**	**728,537**	**£0.883**

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 0%
- volatility 47% - 50%
- expected life of option 3 years.

The charge for the year ended 30 April 2023 was £351k (2022: £313k).

8 PENSION OBLIGATIONS

During the year, the Group acquired LTE Scientific Limited which already operated a defined benefit pension scheme at the point of acquisition. The pension surplus has not been 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 – Investment risk – The plan assets at 30 April 2023 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 2024.

8 PENSION OBLIGATIONS (CONTINUED)

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

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

Defined benefit obligation	2023 £'000
Defined benefit obligation at 29 July 2022	1,133
Interest	27
Benefits paid	(39)
Actuarial gains arising from changes in financial assumptions	(226)
Other actuarial gains	19
Defined benefit obligation 30 April 2023	914

Plan assets	2023 £'000
Fair value of plan assets at 29 July 2022	1,038
Expected return	27
Benefits paid	(39)
Expenses paid	(15)
Actuarial gains	12
Fair value of plan assets 30 April 2023	1,023

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

	2023 £'000
Equities	843
Bonds	136
Cash	44
	1,023

8 PENSION OBLIGATIONS (CONTINUED)

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:

	2023 %/years
Discount rate at date shown	**4.90%**
Inflation	**2.20%**
Average life expectancies:	
Male mortality at 30/4/23	**21.20**
Female mortality at 30/4/23	**23.20**
Male mortality for birth year 1956	**21.80**
Female mortality for birth year 1956	**24.20**
Male mortality for birth year 1976	**22.60**
Female mortality for birth year 1976	**25.20**

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 2023 is 13 years.

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:

	2023 £'000
Net interest expense	**-**
	-

Amounts not recognised in other comprehensive income related to the Group's defined benefit plans are as follows:

	2023 £'000
Actuarial gains on plan assets	**12**
Actuarial gains arising from financial assumptions	**226**
Other actuarial losses	**(19)**
	219

8 PENSION OBLIGATIONS (CONTINUED)

The income of £219k resulting from the remeasurement of the defined benefit liability/asset is included in the consolidated statement of other comprehensive income within items that will not be reclassified subsequently to profit or loss.

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:

	Assumption %/years	**Defined benefit obligation £'000**
Discount rate 0.5% pa lower	**4.40%**	**966**
Inflation rate 0.5% pa higher	**2.70%**	**941**
Life expectancy 1 year longer	**22.8/25.2 years**	**951**

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.

9 FINANCE COSTS

	2023 £'000	2022 £'000
Bank loans	**745**	210
Leases and hire purchase contracts	**225**	85
	970	295

10 TAXATION

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

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

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

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

11 INTANGIBLE ASSETS

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

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

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

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

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

11 INTANGIBLE ASSETS (CONTINUED)

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% (2022: 2%).

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

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

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

No other impairments have been recognised across any other CGUs.

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

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

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

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

12 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**
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**
Net book value						
At 30 April 2023	**664**	**223**	**1,786**	**245**	**5,301**	**8,219**
At 30 April 2022	474	237	1,065	305	1,993	4,074

13 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**
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**
Net book value			
At 30 April 2023	**59**	**6,410**	**6,469**
At 30 April 2022	69	7,236	7,305

14 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

	£'000
Cost and net book amount as at 1 May 2022	-
Additions	24
Cost and net book amount as at 30 April 2023	24

On 21 October 2022, the Company acquired 100% of the share capital of Fraser Anti-Static Techniques Limited, a company incorporated in England and Wales. Fraser Anti-Static Techniques in turn owned 100% of the share capital of Fraser Elektrostatik GmbH, a company incorporated in Germany, and 70% of the share capital of Shanghai Fraser Static Technology Co., Ltd, a company incorporated in China. The other 30% of Shanghai Fraser Static Technology Co., Ltd is owned by management, based in China, which has been accounted for as an associated undertaking in the year. The results and assets and liabilities of this associate are incorporated in these financial statements using the equity method of accounting.

15 LEASES

Lease liabilities are presented in the balance sheet as follows:

	2023	2022
	£'000	£'000
Current	**745**	780
Non-current	**5,996**	6,656
	6,471	7,436

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 13).

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 2023 were as follows:

	2023	2022
	£'000	£'000
Within one year	**940**	933
Within two to five years	**2,693**	3,027
After five years	**4,456**	5,021
Total undiscounted lease liabilities	**8,089**	8,981

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.

16 DEFERRED TAX

	2023 Deferred tax liability £'000	Deferred tax liability £'000
Opening (net)	**(2,831)**	(782)
Capitalised R & D	**-**	(55)
Deferred tax on share options	**-**	(1,617)
Adjustment on enacted tax rate	**-**	(285)
Deferred tax asset on acquisition	**(1,360)**	(1,244)
Deferred tax credited in the income statement	**(180)**	-
Deferred tax included directly in equity	**(233)**	357
Amortisation acquired intangible assets	**-**	276
Foreign exchange differences	**2**	3
Trading losses recognised	**-**	698
Adjustment to prior year	**-**	(15)
Other temporary differences	**-**	(167)
At 30 April 2023 (net)	**(4,602)**	(2,831)

Fixed asset temporary differences	**(1,156)**	-
Short term temporary differences	**349**	725
Capital gains	**(20)**	-
Deferred tax on capitalised R&D	**-**	(236)
Other temporary differences	**-**	(229)
Intangible assets	**(4,160)**	(3,769)
Deferred tax on share option exercises	**385**	678
At 30 April 2023 (net)	**(4,602)**	(2,831)

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 £260k (2022: £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 £1.0m (2022: £1.3m).

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 £117k (2022: £357k) have been recognised directly in equity.

17 INVENTORIES

	2023 £'000	2022 £'000
Raw materials and consumables	**8,068**	5,000
Work in progress	**3,172**	993
Finished goods	**2,264**	1,280
	13,504	7,273

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

In the year ended 30 April 2023 a total of £24,810k (2022: £17,998k) of inventories were consumed and charged to the Income Statement as an expense.

18 TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Trade receivables	**9,276**	6,213
Corporation tax	**-**	137
Other receivables	**846**	249
Prepayments and accrued income	**1,858**	945
	11,980	7,544

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:

	2023 £'000	2022 £'000
As at 1 May 2022	**156**	195
Charged/(released) in year	**101**	(38)
As at 30 April 2023	**257**	156

In addition, some of the unimpaired trade receivables 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.

19 CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash at bank and in hand	**2,711**	5,106

20 TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade payables	**4,147**	3,391
Social security and other taxes	**1,456**	998
Deferred and contingent consideration	**961**	3,405
Other payables	**314**	481
Accruals and deferred income	**8,566**	7,814
	15,544	16,089

Accruals and deferred income includes an amount of £4,811k (2022: £5,533k) 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 increased during the year principally due to contract liabilities of acquired subsidiaries. All the prior year contract liabilities of £5,533k were recognised as revenue during the current year.

At the end of the year, contingent consideration of £961k remains outstanding in relation to the acquisition of Scientific Vacuum Systems Limited.

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

21 PROVISIONS

	Dilapidations		Warranties	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
As at 1 May 2022	**88**	110	**75**	120
Released in the year	**(58)**	(22)	**(38)**	(45)
As at 30 April 2023	**30**	88	**37**	75

	Total	
	2023 £'000	2022 £'000
As at 1 May 2022	**163**	230
Released in the year (net)	**(96)**	(67)
As at 30 April 2023	**67**	163

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.

22 BORROWINGS

Borrowings are repayable as follows:

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

Bank finance relates to amounts drawn down under the Group's bank facility with HSBC Bank plc, which is secured against all assets of the Group. On 1 November 2021 the Group renewed and expanded its committed loan facility with HSBC to £20m, with an accordion option of an additional £10m and with a termination date of 1 November 2024 extendable for two further years. On 30 November 2022, the Group reached agreement with HSBC to exercise £5m of an available £10m accordion option, which increased the committed loan facility from £20m to £25m. The balance of the accordion option (£5m) remains available to the Group (at the discretion of HSBC) for future exercise. On 29 March 2023 the termination date was extended by a further year to 1 November 2025. This is extendable by another year at HSBC's discretion. The revolving facility is available for general use. The facility has covenants relating to leverage (net debt to EBITDA) and interest cover.

23 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
Movements:				
- New loans	-	15,000	95	15,095
- Repayments	-	(3,000)	(789)	(3,789)
- Assumed on acquisition	-	-	-	-
- Movement in cash	2,395	-	-	2,395
At 30 April 2023	**(2,711)**	**16,000**	**6,741**	**20,030**

24 SHARE CAPITAL

	2023 £'000	2022 £'000
Authorised		
1,000,000,000 (2022: 1,000,000,000) Ordinary shares of 1p each	**10,000**	10,000
Allotted, called up and fully paid 104,050,044 (2022: 102,199,676) Ordinary shares of 1p each	**1,041**	1,022

During the year 1,850,368 Ordinary shares of 1p were issued due to the exercise of options. The 1,850,368 options had an exercise price ranging from £0.110 to £1.040. The Group received £892k consideration, which was allocated £19k to share capital and £873k to share premium.

25 EARNINGS PER SHARE

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

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

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

26 CONTINGENT LIABILITIES

Contingent liabilities

Performance guarantees totalling £32k (2022: £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.

27 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

Transactions with directors are disclosed within the Directors' Remuneration Report and note 7.

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.

28 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 £160k (2022: £40k) annually, based on the loan outstanding at 30 April 2023.

Currency risk

A significant proportion of the Group's monetary assets (principally bank balances and trade receivables) and liabilities (principally borrowings) are denoted 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 2023 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £51k (2022: £49k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £94k (2022: £115k). An adverse movement in Chinese Yuan of 5% would result in a reduction in the Group's equity and profit or loss of £24k (2022: £nil).

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	
	2023	2022
	£'000	£'000
US Dollars	**1,080**	1,035
Euros	**1,978**	2,416
Chinese Yuan	**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.

28 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 £16,711k (2022: £12,650k). 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 18. The simplified approach has been adopted to calculate the level of expected credit loss provision in the year with a 30% allowance applied to those debtors due between 90 days and 120 days and a 70% 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:

	Current		**Non-current**	
As at 30 April 2023	**Within 6 months £'000**	**Between 6 and 12 months £'000**	**Between 1 and 5 years £'000**	**Later than 5 years £'000**
Trade and other payables	**15,443**	**-**	**-**	**-**
Borrowings	**466**	**354**	**24,196**	**-**

	Current		Non-current	
As at 30 April 2022	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
Trade and other payables	16,089	-	-	-
Borrowings	448	354	10,975	-

Ageing of receivables:	**2023**		2022	
	Gross £'000	**Expected Credit Loss £'000**	Gross £'000	Provision £'000
Past due less than 1 month	**4,998**	**-**	3,781	-
Past due 1 - 3 months	**4,430**	**(322)**	2,439	(10)
Past due 3 - 6 months	**401**	**(257)**	295	(298)
Past due 6 - 12 months	**26**	**-**	21	(15)
Past due greater than 12 months	**-**	**-**	-	-
	9,855	**(579)**	6,536	(323)

29 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 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)**

Balance sheet headings	Financial assets at amortised cost 2022 £'000	Non-financial assets 2022 £'000	Financial liabilities at amortised cost 2022 £'000	Financial liabilities measured at fair value through profit and loss 2022 £'000	Non-financial liabilities 2022 £'000	Total balance sheet heading 2022 £'000
Cash and cash equivalents	5,106	-	-	-	-	5,106
Trade and other receivables	6,599	945	-	-	-	7,544
Borrowings - current	-	-	(779)	-	-	(779)
Borrowings - noncurrent	-	-	(10,656)	-	-	(10,656)
Trade and other payables - current	-	-	(14,130)	(961)	(998)	(16,089)
Total	11,705	945	(25,565)	(961)	(998)	(14,874)

The fair values of the financial assets and liabilities at 30 April 2023 and 30 April 2022 are not materially different from their book values.

30 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 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.

31 BUSINESS COMBINATIONS

On 29 July 2022, the Company acquired 100% of the share capital of LTE Scientific Limited, a company incorporated in England and Wales, for a consideration payable in cash.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair Value adjustment £'000	Fair Value £'000
Assets			
Non-current assets			
Intangible assets	-	761	761
Property, plant & equipment	1,643	578	2,221
Total non-current assets	1,643	1,339	2,982
Current assets			
Inventories	1,109	-	1,109
Trade and other receivables	1,596	-	1,596
Cash and cash equivalents	2,606	-	2,606
Liabilities			
Trade and other payables	(3,192)	-	(3,192)
Defined benefit liability (net)	(95)	-	(95)
Borrowings - lease commitments	(35)	-	(35)
Deferred tax liability	(10)	(190)	(200)
Net assets acquired	3,622	1,149	4,771
Goodwill			676
Consideration and cost of investment			**5,447**
Fair value of consideration transferred			
Cash paid in year			5,447
			5,447

31 BUSINESS COMBINATIONS (CONTINUED)

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

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

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

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

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

The last financial year for LTE Scientific Limited before the acquisition completed was to 31 December 2021. LTE Scientific's current financial year has been extended by four months to April 2023 to align with that of SDI Group plc.

31 BUSINESS COMBINATIONS (CONTINUED)

On 21 October 2022, the Company acquired 100% of the share capital of Fraser Anti-Static Techniques Limited, a company incorporated in England and Wales, for a consideration payable in cash.

The assets and liabilities acquired were as follows:

	Book value £'000	Fair Value adjustment £'000	Fair Value £'000
Assets			
Non-current assets			
Intangible assets	16	4,260	4,276
Property, plant & equipment	1,970	-	1,970
Investments	24	-	24
Total non-current assets	2,010	4,260	6,270
Current assets			
Inventories	1,793	-	1,793
Trade and other receivables	5,593	-	5,593
Corporation tax	29	-	29
Cash and cash equivalents	1,049	-	1,049
Liabilities			
Trade and other payables	(1,456)	-	(1,456)
Deferred tax liability	(95)	(1,065)	(1,160)
Net assets acquired	8,923	3,195	12,118
Goodwill			4,824
Consideration and cost of investment			**16,942**
Fair value of consideration transferred			
Cash paid in year			16,942
			16,942

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

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

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

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

31 BUSINESS COMBINATIONS (CONTINUED)

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

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

Company Balance Sheet
As at 30 April 2023

	Note	2023 £'000	As restated 2022* £'000
Non-current assets			
Property, plant & equipment		**10**	3
Investments	**4**	**61,567**	39,999
Intangible assets	**5**	**-**	-
Deferred tax asset	**6**	**344**	1,106
		61,921	41,108
Current assets			
Debtors	**7**	**5,092**	4,613
Cash		**1,063**	2,431
		6,155	7,044
Creditors: amounts falling due within one year	**8**	**(7,103)**	(13,282)
Net current liabilities		**(948)**	(6,238)
Total assets less current liabilities		**60,973**	34,870
Creditors: amounts falling due after more than one year	**9 &10**	**(18,703)**	(4,001)
Net assets		**42,270**	30,869
Capital and reserves			
Called up share capital	**11**	**1,041**	1,022
Share premium account		**10,778**	9,905
Share based payment reserve		**557**	523
Merger relief reserve		**424**	424
Profit and loss account		**29,470**	18,995
Shareholders' funds		**42,270**	30,869

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 £10,064k (2022: £7,443k).

The financial statements were approved and authorised for issue by the Board of Directors on 7th August 2023.

Mike Creedon

Mike Creedon
Chief Executive Officer

Amitabh Sharma
Chief Financial Officer

Company registration number: 06385396

*See note 13

SDI GROUP PLC

Company Statement of Changes in Equity
As at 30 April 2023

	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	**19**	**-**	**873**	**34**	**318**	**1,244**
Tax in respect to share options	**-**	**-**	**-**	**-**	**93**	**(79)**
Profit for the year	**-**	**-**	**-**	**-**	**10,064**	**10,236**
Total comprehensive income	**-**	**-**	**-**	**-**	**10,157**	**10,157**
At 30 April 2023	**1,041**	**424**	**10,778**	**557**	**29,470**	**42,270**

	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 2021	984	424	9,092	714	10,786	22,000
Shares issued	38	-	813	-	-	851
Share based payment transfer	-	-	-	(504)	504	-
Share based payments	-	-	-	313	-	313
Transactions with owners	38	-	813	(191)	504	1,164
Tax in respect to share options	-	-	-	-	262	262
Profit for the year	-	-	-	-	7,443	7,443
Total comprehensive income	-	-	-	-	7,705	7,705
At 30 April 2022	1,022	424	9,905	523	18,995	30,869

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.

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.

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.

SHARE OPTIONS

SDI Group plc regularly issues share options to employees, including to employees of subsidiary 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 subsidiary 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.

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 subsidiary'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:

	2023 £'000	2022 £'000
Emoluments	**1,014**	729
Pension	**17**	16
	1,031	745

During the year, 2 directors (2022: 5 directors) exercised options over the Ordinary shares of the Company realising a gain on exercise of £703k (2022: £4,343k).

Details of directors' interest in the shares and options of the Company are provided in the directors' remuneration report on pages 35 – 36. The highest paid director aggregate entitlements were £473k (2022: £338k), in addition to Company pension contributions of £14k (2022: £9k) made to a money purchase scheme. As at 30 April 2023 the highest paid Director held a total of 713,724 share options (2022: 712,974 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 £96k (2022: £366k) 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 7 to the consolidated financial statements. The share-based payment expense for the Company totalled £173k (2022: £191k).

3 AUDITOR'S REMUNERATION

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

	2023 £'000	2022 £'000
Fees payable to the company's auditor for the audit of the financial statements	**40**	30

4 INVESTMENTS

Investments in Group undertakings	**As restated £'000**
Cost and net book amount as at 1 May 2022	**39,999***
Additions	**22,390**
Less: dividend	**(1,000)**
Share based payment expense recognised as capital contributions in subsidiaries	**178**
Cost and net book amount as at 30 April 2023	**61,567**

*See note 13

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
The following companies are all held by Synoptics Limited:				
Scientific Digital Imaging Limited	England and Wales	Ordinary Shares	100%	Dormant
Synoptics Inc	USA	Ordinary	100%	Distributor
The following company is held by Monmouth Scientific Limited:				
Uniform Engineering Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
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

4 INVESTMENTS (CONTINUED)

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), Fistreem International (company number 05136733) and Uniform Engineering Limited (company number 13117156), 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.

5 INTANGIBLE ASSETS

	2023 £'000
Cost at 30 April 2023 & 2022	50
Amortisation at 30 April 2023 & 2022	50
Net book value as at 30 April 2022	-
Net book value as at 30 April 2023	-

6 DEFERRED TAX ASSET

	2023 £'000	2022 £'000
Opening	**1,106**	1,241
Deferred tax on share options	-	(1,077)
Deferred tax credited in the income statement	**(682)**	-
Deferred tax included directly in equity	**(80)**	-
Adjustment on enacted tax rate	-	373
Trading losses recognised	-	657
Adjustment to prior year	-	19
Other temporary differences	-	(107)
At 30 April 2023	**344**	1,106

Short term temporary differences	**344**	-
Trading losses	-	657
Deferred tax on share option exercises	-	407
Other temporary differences	-	42
At 30 April 2023	**344**	1,106

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 £260k (2022: £260k) in respect of losses. Total losses (provided and unprovided) totalled £1.0m (2022: £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.

7 TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Amounts owed by group undertakings	**3,101**	4,421
Prepayments and accrued income	**208**	164
Other debtors	**36**	28
Corporation tax	**1,747**	-
	5,092	4,613

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 thought to be significant.

8 TRADE AND OTHER PAYABLES: WITHIN ONE YEAR

	2023 £'000	As restated 2022* £'000
Amounts owed to group undertakings	**5,215**	9,117
Trade creditors	**21**	160
Finance lease liabilities	**7**	2
Social security and other taxes	**131**	24
Contingent consideration	**961**	961
Deferred consideration	**-**	2,387
Accruals and deferred income	**768**	631
	7,103	13,282

*See note 13

9 TRADE AND OTHER PAYABLES: GREATER THAN ONE YEAR

	2023 £'000	2022 £'000
Bank loans	**16,000**	4,000
Amounts owed to Group companies	**2,701**	-
Finance lease liabilities	**2**	1
	18,703	4,001

10 BORROWINGS

	2023 £'000	2022 £'000
Within one year		
Finance lease liabilities	**7**	2
	7	2
After one and within five years		
Bank loans	**16,000**	4,000
Intercompany	**2,701**	-
Finance lease liabilities	**2**	1
	18,703	4,001
Total borrowings	**18,709**	4,003

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

11 CALLED UP SHARE CAPITAL

	2023	2022
	£'000	£'000
Authorised		
1,000,000,000 Ordinary shares (2022: 1,000,000,000) of 1p each	**10,000**	10,000
Allotted, called up and fully paid 104,050,044 (2022: 102,199,676) Ordinary shares of 1p each	**1,040**	1,022

During the year 1,850,368 Ordinary shares of 1p were issued due to the exercise of options. The 1,850,368 options had an exercise price ranging from £0.110 to £1.040. The Group received £892k consideration, which was allocated £19k to share capital and £873k to share premium.

Share options

A summary of options outstanding currently is provided in note 7 to the consolidated financial statements.

12 RELATED PARTY TRANSACTIONS

Transactions with directors are disclosed within the Directors' Remuneration Report and note 7 to the consolidated financial statements. The Company is not required to disclose transactions with its wholly owned subsidiaries.

13 PRIOR YEAR RESTATEMENT

As a result of a change in accounting policy, a prior year restatement has been made to account for deferred consideration on an accruals basis. As a result of this restatement, the investments and other creditors balances in the year ended 30 April 2022 have increased by £3,348k, from £36,651k to £39,999k. The previously reported profits of £7,443k and net assets of £30,869k are unchanged.

14 ULTIMATE CONTROLLING PARTY

The Directors believe that there is no overall controlling party.

SDI GROUP PLC

SEVEN-YEAR SUMMARY

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Revenue	**67,577**	49,656	35,076	24,498	17,427	14,496	10,748
Cost of sales	**(24,810)**	(17,998)	(12,206)	(7,899)	(5,902)	(4,954)	(3,837)
Gross profit	**42,767**	31,658	22,870	16,599	11,525	9,542	6,911
Gross margin %	**63.3%**	63.8%	65.2%	67.8%	66.1%	65.8%	64.3%
Other income	**112**	55	21	19	-	-	-
All other operating costs	**(30,070)**	(19,640)	(15,191)	(12,016)	(8,423)	(7,196)	(5,575)
Adjusted Operating Profit	**12,809**	12,073	7,700	4,602	3,102	2,346	1,336
Reorganisation costs	-	(125)	(132)	(110)	(124)	(63)	(87)
Share based payments	**(351)**	(313)	(305)	(276)	(136)	(65)	(2)
Acquisition costs	**(331)**	(341)	(179)	(58)	(288)	(165)	(165)
Impairment of intangible assets	**(3,520)**	-	-	-	-	-	-
Amortisation of acquired intangible assets	**(1,795)**	(1,115)	(1,153)	(647)	(356)	(277)	(118)
Operating profit	**6,812**	10,179	5,931	3,511	2,198	1,776	964
Net financing expenses	**(970)**	(295)	(287)	(254)	(77)	(63)	(61)
Profit before tax	**5,842**	9,884	5,644	3,257	2,121	1,713	903
Income tax	**(1,939)**	(2,341)	(936)	(666)	(209)	(98)	(75)
Profit for the year	**3,903**	7,543	4,708	2,591	1,912	1,616	828
Attributable to:							
Equity holders of the parent Company	**3,871**	7,543	4,708	2,591	1,912	1,615	828
Non-controlling interest	**32**	-	-	-	-	-	-
Profit for the year	**3,903**	7,543	4,708	2,591	1,912	1,616	828
Cash generated from operations	**10,873**	14,689	11,710	5,169	3,620	2,854	1,406
Earnings per share							
Basic earnings per share	**3.80p**	7.53p	4,81p	2.66p	2.10p	1.81p	1.17p
Diluted earnings per share	**3.72p**	7.23p	4.58p	2.56p	2.05p	1.79p	1.14p
Adjusted diluted earnings per share	**9.02p**	8.71p	5.97p	3.43p	2.83p	2.30p	1.55p