



SDI GROUP PLC  
INTERIM RESULTS FOR THE  
SIX MONTHS ENDED 31 MAY 2008

- SDI GROUP PLC IS A LEADING SPECIALIST IN THE PROVISION OF INTEGRATED MATERIALS HANDLING SOLUTIONS FOR INTERNATIONAL RETAIL, WHOLESALE, FULFILMENT AND E-COMMERCE DISTRIBUTION OPERATIONS.
  
- THE GROUP'S COLLECTIVE EXPERIENCE AND EXPERTISE ENCOMPASSES THE ENTIRE SPECTRUM OF DISTRIBUTION CENTRE OPERATION AND INFRASTRUCTURE, FROM CONSULTATION, DESIGN AND BUILD TO INSTALLATION, MAINTENANCE AND SUPPORT. AS A GLOBAL SYSTEMS INTEGRATOR, THE GROUP DESIGNS SOLUTIONS WHICH IMPROVE PRODUCTIVITY AND RETAIL SALES MARGIN WHILE SUPPORTING SALES GROWTH.
  
- SDI GROUP HAS OPERATIONS IN THE UK, US, FRANCE, GERMANY, ITALY, SPAIN, THE NETHERLANDS AND CHILE ENSURING THAT CUSTOMERS CAN BENEFIT FROM THE STRENGTH AND EXPERTISE OF THE GROUP WHILST BENEFITING FROM LOCAL MARKET KNOWLEDGE AND SUPPORT. SDI IS COMMITTED TO CONTINUING TO INVEST FURTHER WITHIN THESE LOCAL MARKETS TO GROW ITS BUSINESS.

<b>IFC</b>	Corporate statement
<b>01</b>	Highlights
<b>02</b>	Chairman's statement
<b>06</b>	Consolidated income statement
<b>06</b>	Consolidated statement of recognised income and expense
<b>07</b>	Consolidated balance sheet
<b>08</b>	Consolidated cash flow statement
<b>09</b>	Notes to the interim financial statements



## HIGHLIGHTS

- REVENUE FOR THE SIX MONTHS ENDED 31 MAY 2008 OF £23.0M (YEAR ENDED 30 NOVEMBER 2007\*: £41.3M)
- LOSS BEFORE TAX OF £2.6M (YEAR ENDED 30 NOVEMBER 2007\*: PROFIT £4.2M) PRINCIPALLY DUE TO LOWER LEVELS OF ACTIVITY AND CHALLENGING RETAIL MARKETS
- CASH AND CASH EQUIVALENTS AT PERIOD END £4.4M (30 NOVEMBER 2007: £10.1M)
- FIRST STRATEGIC ACQUISITION – PEP GROUP IN GERMANY
- STRONG POTENTIAL SALES PIPELINE
- NEW CONTRACT 'WINS' IN NEW PRODUCT SOLUTIONS AND SOFTWARE MARKETS
- STRENGTHENED BOTH CONSULTANCY AND MANAGEMENT RESOURCE IN ALL REGIONS

\* The consolidation of the Group companies took place on 2 July 2007 through a reverse acquisition by SDI Industries Inc, a privately held US based company, of the SDI Group which contained the remaining Group companies. Consequently the figures for the year ended 30 November 2007 are for SDI Industries Inc. (and subsidiaries) up to 2 July 2007, and for the Group as a whole from then onwards.



## CHAIRMAN'S STATEMENT



WE ARE DELIGHTED WITH THE CONTINUED PROGRESS MADE IN RESTRUCTURING THE GROUP INTO A SINGLE FOCUSED BRAND, AND WITH THE ONGOING INTEGRATION OF PEP WHICH IS ALREADY OPENING UP NEW OPPORTUNITIES AND WILL YIELD SIGNIFICANT LONG TERM BENEFITS.



I am pleased to present SDI Group plc's interim results for the six months to 31 May 2008.

During the six months to 31 May 2008 we have reinforced the Group's position as a leading international specialist in the design, build and support of bespoke integrated materials handling solutions for international retail, fulfilment and e-commerce distribution. This has been accelerated through the acquisition of four companies from PEP Beteiligungsgesellschaft mbH ('PEP') in Germany in April 2008, and while the integration of PEP is still ongoing, the acquisition is already providing the Group with improved access to key European markets and leading edge products and solutions.

These factors leave us well positioned to compete in our current markets and develop opportunities in new territories, and the Group's sales pipeline demonstrates the quality of our offering and broadening global focus. However, the current retail market conditions remain extremely challenging.

The capital nature of our products and solutions means that our customers' decision making process reflects the investment being made by them, and can be long, even though we can demonstrate high customer returns on their investment. This factor, alongside the current market conditions in retailing in our major markets means we have recently experienced some delays in the signing of contracts resulting in a lower than anticipated level of activity and a disappointing first half of the year.

However, it is important to highlight that our potential sales pipeline continues to be strong, and dialogue with potential customers is positive. As a result it is possible that, through the signing of a number of contracts currently under discussion, the Group's activity levels could see considerable improvement.



## FINANCIAL REVIEW

The consolidation of the Group companies on 2 July 2007 and the fact that the Group companies were not required to prepare interim results prior to consolidation, mean that comparative figures for the six months ended 31 May 2007 are not available. Where appropriate, comparative figures for the year ended 30 November 2007 have been included.

Revenue for the six months ended 31 May 2008 was £23.0m (year ended 30 November 2007\*: £41.3m). Gross profit margin was 11.2%, which is lower than forecast and that achieved in the year ended 30 November 2007\* of 25.5%. Although reduced activity levels have played the major part in the reduction of margins during the period, together with increased pressure from our customers, margins were also impacted by a number of development projects during the period. However, this approach has enabled the Group to develop hardware and software solutions which will benefit it going forward.

As a result of these factors, the operating loss for the six month period, after amortisation of intangibles, was £2.7m (year ended 30 November 2007\*: profit £3.8m) and the loss before tax was £2.6m (year ended 30 November 2007\*: profit £4.2m). The directors are not proposing an interim dividend.

The cash position and balance sheet remain strong, with the Group's cash and cash equivalents at the period end being £4.4m (30 November 2007: £10.1m).

## OPERATIONAL REVIEW

Since 30 November 2007, the Group has continued to win contracts with high profile international customers such as Asda George in the UK, M&S Mode in the Netherlands and Coop in Italy, and continues to see a strong level of enquiries and interest for its solutions. However, whilst the Group's European companies have continued to secure orders, there has been a delay in signing new projects in the key markets of North America and the UK.

As part of its stated strategy, the Group has continued to expand its geographical footprint, the first stage of this being the acquisition of PEP in Germany. In April 2008 the Group purchased four companies from PEP for a total consideration of EUR2.76m. PEP is one of Germany's leading materials handling solutions providers and has customers that include C&A in Germany, DHL in Germany and Denmark, JBC in Belgium and La Poste in France. The acquisition reflects the importance of the German domestic market and is already beginning to allow SDI Group to compete as a full service integrator in a market of a similar size to the UK. The four companies, along with the Group's existing German software business, form the foundation of its SDI Germany operation and the Group has immediately commenced marketing of PEP's excellent product range across the Group, whilst also securing a substantial contract win within the German market. In addition the Group is increasing its market presence in Brazil, India and Eastern Europe (markets where significant potential exists) and is pleased to report its first project in Russia.



## CHAIRMAN'S STATEMENT CONTINUED



HISTORICALLY THE FIRST HALF OF THE YEAR HAS BEEN LESS PRODUCTIVE THAN THE SECOND HALF, BUT DESPITE EXPECTING THIS, THE OPERATING LOSS INCURRED WAS MORE THAN EXPECTED DUE TO EVEN LOWER LEVELS OF ACTIVITY THAN ANTICIPATED. FURTHERMORE, DESPITE OUR POTENTIAL PIPELINE BEING STRONG AT £149M THE DIFFICULT RETAIL CLIMATE IN OUR MAJOR MARKETS, WHERE UNDERSTANDABLY COMMITMENTS TO MAJOR CAPITAL EXPENDITURE ARE TAKING LONGER TO MOVE FROM ENQUIRY TO A FIRM ORDER, MEANS THAT WE WILL NOT MEET MARKET EXPECTATIONS OF PROFIT IN THE CURRENT FINANCIAL YEAR. TAKING A MEDIUM TERM VIEW WE ARE USING THE TIME WELL TO ADVANCE OUR PRODUCTS, OUR SOLUTIONS, OUR BRAND AND OUR MANAGERIAL CAPABILITY TO BE ABLE TO RESPOND QUICKLY WHEN THE CONDITIONS IN THE RETAIL MARKET BECOME MORE FAVOURABLE.

### OPERATIONAL REVIEW CONTINUED

The Group is extending its solutions and software products to new markets and has gained early 'wins' in both the US with Nike and Europe with Decathlon. In addition, it has established a new Service Division in the US, which again, following the UK model, is securing good quality long term business.

During the period, the Group has attracted several high calibre individuals to the team, strengthening both its consultancy and management resource in all regions.

### CURRENT TRADING AND OUTLOOK

Whilst market conditions remain extremely challenging, the Group's current backlog for 2008 is strong. However, the difficult retail climate in our major markets, where understandably commitments to major capital expenditure are taking longer to move from enquiry to a firm order, means that we will not meet market expectations of profit in the current financial year.

As reported in May 2008, the financial year end for many retailers is the end of December or January, which can impact primary customers' decision-making processes regarding major capital expenditure. Consequently, the clarity of the pipeline for the Group's future business can be obscured in its current reporting and planning cycle, which ends in November. The Board took the decision to move the Group's financial year end to 31 March and announced this on 30 May 2008 in order to overcome these issues. As a result, the next reported results will be interim results for the period to 30 November 2008, followed by preliminary results for the 16 month period to 31 March 2009.



The outlook for 2009 is currently encouraging with a good early pipeline of potential projects and the Group believes that the services and solutions it provides are such that they can demonstrate real cost savings to the retail sector by helping to drive efficiencies. As a result, SDI Group continues to see opportunities, even in a tougher trading environment. Taking a medium term view we are using the time well to advance our products, our solutions, our brand and our managerial capability to be able to respond quickly when the conditions in the retail market become more favourable.

The Group looks forward to updating shareholders on progress in due course.

**MARK MCMENEMY**  
CHAIRMAN  
24 JULY 2008

\* The consolidation of the Group companies took place on 2 July 2007 through a reverse acquisition by SDI Industries Inc, a privately held US based company, of the SDI Group which contained the remaining Group companies. Consequently the figures for the year ended 30 November 2007 are for SDI Industries Inc (and subsidiaries) up to 2 July 2007, and for the Group as a whole from then onwards.



## CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 MAY 2008

	Note	Six months ended 31 May 2008 (Unaudited) £'000	Year ended 30 November 2007 (Audited) £'000
<b>Revenue</b>	3	<b>22,963</b>	41,276
Cost of sale		<b>(20,384)</b>	(30,765)
<b>Gross profit</b>		<b>2,579</b>	10,511
Administrative expenses excluding exceptional items		<b>(5,186)</b>	(5,583)
Administrative expenses – exceptional items		<b>(99)</b>	(1,099)
Total administrative expenses		<b>(5,285)</b>	(6,682)
<b>Operating (loss)/profit</b>		<b>(2,706)</b>	3,829
Financial income		<b>151</b>	231
Financial expense		<b>(27)</b>	(60)
Net finance income		<b>124</b>	171
Share of (loss)/profit of associates		<b>(40)</b>	160
<b>(Loss)/profit before taxation</b>		<b>(2,622)</b>	4,160
Taxation		<b>913</b>	(1,267)
<b>(Loss)/profit for the financial period</b>		<b>(1,709)</b>	2,893
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(1,709)</b>	2,854
Minority interest		<b>—</b>	39
		<b>(1,709)</b>	2,893
<b>(Loss)/earnings per ordinary share (in £)</b>	4		
– Basic		<b>(0.02)</b>	0.04
– Diluted		<b>(0.02)</b>	0.04

The following notes are an integral part of this consolidated interim financial information.

All results are from continuing operations.

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 31 MAY 2008

	Six months ended 31 May 2008 (Unaudited) £'000	Year ended 30 November 2007 (Audited) £'000
<b>(Loss)/profit for the financial period</b>	<b>(1,709)</b>	2,893
Currency translation differences	<b>749</b>	(409)
<b>Net income/(expense) recognised directly to equity</b>	<b>749</b>	(409)
<b>Total recognised (expense)/income for the period</b>	<b>(960)</b>	2,484
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(960)</b>	2,445
Minority interest	<b>—</b>	39
	<b>(960)</b>	2,484

## CONSOLIDATED BALANCE SHEET

AS AT 31 MAY 2008

	Note	As at 31 May 2008 (Unaudited) £'000	As at 30 November 2007 (Audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,735	1,150
Intangible assets		17,587	15,166
Investments in associates		49	37
Available-for-sale investments financial assets		75	72
Deferred tax assets		642	—
		<b>20,088</b>	16,425
<b>Current assets</b>			
Inventories		2,997	2,287
Current income tax prepayment		433	881
Trade and other receivables	5	19,652	12,358
Cash and cash equivalents		4,413	10,137
		<b>27,495</b>	25,663
<b>Total assets</b>		<b>47,583</b>	42,088
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liability		237	457
Other payables		377	—
		<b>614</b>	457
<b>Current liabilities</b>			
Trade and other payables	6	16,151	10,837
Current income tax liability		314	746
<b>Total liabilities</b>		<b>17,079</b>	12,040
<b>Net assets</b>		<b>30,504</b>	30,048
<b>Equity</b>			
Called up share capital		1,091	1,061
Share premium		2,608	2,608
Other reserves		14,955	12,820
Retained earnings		11,850	13,559
<b>Total equity</b>		<b>30,504</b>	30,048



## CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 31 MAY 2008

	Note	Six months ended 31 May 2008 (Unaudited) £'000	Year ended 30 November 2007 (Audited) £'000
<b>Cash flows (used by)/from operating activities</b>	7	<b>(5,857)</b>	3,233
Interest received		151	231
Interest paid		(27)	(60)
Income tax paid		(137)	(985)
<b>Net cash (used by)/from operating activities</b>		<b>(5,870)</b>	2,419
<b>Cash flows (used by)/from investing activities</b>			
Purchase of investments in subsidiary companies, net of cash acquired		86	1,701
Purchase of entity under common control, net of cash acquired		—	281
Purchase of minority interest		—	(65)
Purchase of plant and equipment		(404)	(565)
Purchase of intangibles		(37)	(375)
Proceeds from the sale of investments		—	102
Proceeds from the sale of plant and equipment		7	—
<b>Net cash (used in)/from investing activities</b>		<b>(348)</b>	1,079
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares, net of expenses		—	1,666
Dividends paid to shareholders		—	(725)
<b>Net cash from financing activities</b>		<b>—</b>	941
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(6,218)</b>	4,439
Cash and cash equivalents at start of period		10,137	6,019
Exchange differences		494	(321)
<b>Cash and cash equivalents at end of period</b>		<b>4,413</b>	10,137

## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MAY 2008

### 1 BASIS OF PREPARATION

This financial information comprises a consolidated balance sheet as of 31 May 2008 and related consolidated income statement, consolidated statement of recognised income and expenses, consolidated cash flow statements and related notes for the six months then ended of SDI Group plc (hereinafter referred to as 'financial information').

The interim financial results are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 November 2007 were approved by the Board of Directors on 28 March 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

SDI Group plc formed on 2 July 2007. As such there is no comparative information and so in agreement with the London Stock Exchange no comparative financial information for 31 May 2007 is included.

The consolidation of the Group companies took place on 2 July 2007 through a reverse acquisition by SDI Industries Inc, a privately held US based company, of the SDI Group which contained the remaining Group companies. Consequently the figures for the year ended 30 November 2007 are for SDI Industries Inc. (and subsidiaries) up to 2 July 2007, and for the Group as a whole from then onwards.

### 2 ACCOUNTING POLICIES

The accounting policies adopted in the financial information are consistent with those of the annual financial statements for the year ended 30 November 2007, as described in those financial statements. The following new standard is mandatory for the first time for the financial period ending 31 March 2009.

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of Financial Statements – Capital Disclosures' will be mandatory for periods commencing on or after 1 January 2007. As this interim report contains only condensed financial statements, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by IAS 1, will be given in the annual financial statements. The directors expect that the adoption of this standard will have no material effect on the financial results or position of the Group.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### FOR THE SIX MONTHS ENDED 31 MAY 2008

#### 3 SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's geographical and business segments. The primary format, geographical segments, is based on the geographical location of the assets generating the revenue.

#### GEOGRAPHICAL SEGMENTS

The business operates in three main geographical areas being North America (USA and Canada), South America (Chile) and Europe (United Kingdom, Holland, Germany, Italy, France and Spain).

#### BUSINESS SEGMENTS

The Group operates in only one business segment, the provision of integrated materials handling solutions. The Group's equity associates operate in the same business as the Group, and therefore the Group's share of the net assets and net profit of associates is considered to be part of this single business segment.

#### REVENUE

	<b>Six months ended 31 May 2008 (Unaudited) £'000</b>	Year ended 30 November 2007 (Audited) £'000
<b>Geographical analysis by origin</b>		
North America	<b>8,749</b>	26,753
South America	<b>1,673</b>	1,878
Europe	<b>18,793</b>	18,152
	<b>29,215</b>	46,783
Inter-company	<b>(6,252)</b>	(5,507)
<b>Total</b>	<b>22,963</b>	41,276

	<b>Six months ended 31 May 2008 (Unaudited) £'000</b>	Year ended 30 November 2007 (Audited) £'000
<b>Geographical analysis by destination</b>		
North America	<b>7,750</b>	23,527
South America	<b>2,422</b>	4,427
Europe	<b>19,032</b>	17,902
Asia-Pacific	<b>11</b>	927
	<b>29,215</b>	46,783
Inter-company	<b>(6,252)</b>	(5,507)
<b>Total</b>	<b>22,963</b>	41,276

#### 4 EARNINGS PER SHARE

##### A) BASIC

Basic earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>Six months ended 31 May 2008 (Unaudited)</b>	Year ended 30 November 2007 (Audited)
(Loss)/profit attributable to equity holders (in £'000)	<b>(1,709)</b>	2,854
Weighted average number of ordinary shares in issue (000's)	<b>106,912</b>	75,638
<b>Basic (losses)/earnings per share (in £)</b>	<b>(0.02)</b>	0.04

##### B) DILUTED

As the average share price in 2008 is less than the option price there is no dilutive effect relating to the share options.

#### 5 TRADE AND OTHER RECEIVABLES

	<b>As at 31 May 2008 (Unaudited) £'000</b>	As at 30 November 2007 (Audited) £'000
Trade receivables	<b>12,510</b>	8,422
Related company receivables	<b>197</b>	167
Amounts due from customers for contract work	<b>4,780</b>	2,707
Other receivables	<b>1,198</b>	704
Loans to related parties	<b>—</b>	19
Prepayments	<b>967</b>	339
	<b>19,652</b>	12,358



## NOTES TO THE INTERIM FINANCIAL STATEMENTS CONTINUED

### FOR THE SIX MONTHS ENDED 31 MAY 2008

#### 6 TRADE AND OTHER PAYABLES

	As at 31 May 2008 (Unaudited) £'000	As at 30 November 2007 (Audited) £'000
Trade payables	7,866	6,423
Related company payables	103	75
Advances received for contract work	3,503	1,533
Social security and other taxes	1,321	799
Accruals	2,076	1,997
Other liabilities	968	10
Deferred purchase consideration	314	—
	<b>16,151</b>	<b>10,837</b>

#### 7 CASH FLOW (USED BY)/GENERATED FROM OPERATIONS

	Six months ended 31 May 2008 (Unaudited) £'000	Year ended 30 November 2007 (Audited) £'000
(Loss)/profit before income tax	(2,622)	4,160
Adjustments for:		
Amortisation of intangible assets	99	686
Depreciation of tangible fixed assets	177	192
Share options granted to employees	34	28
Gain on the sale of investments	—	(87)
(Gain)/loss on the disposal of plant property and equipment	(7)	20
Loss on the disposal of intangible assets	—	5
Interest expense	27	60
Interest income	(151)	(231)
Share of loss/(profit) from associates	40	(160)
Changes in working capital:		
(Increase)/decrease in inventories	(274)	382
(Increase)/decrease in trade and other receivables	(5,462)	5,325
Increase/(decrease) in trade and other payables	2,282	(7,147)
<b>Total net cash flow (used by)/generated from operations</b>	<b>(5,857)</b>	<b>3,233</b>

Aggregate cash flows arising from business combinations are presented separately on the face of the cash flow statement and are classified as investing activities, in accordance with IAS 7 'Cash Flow Statements'. Therefore, movements in working capital included within operating cash flows and presented above exclude working capital changes arising from business combinations.

## 8 BUSINESS COMBINATIONS

On 11 April 2008, SDI Group plc exchanged 2,973,077 shares, and £803,000 cash for 100% of the voting shares of PEP Fordertechnik GmbH, PEP Anlagenbau GmbH, PEP Systemtechnik GmbH and Innova Plast Kunststofftechnik GmbH, a group of privately held, Germany based companies. The acquisition was accounted for in accordance with IFRS 3, 'Business Combinations' using the purchase method. The fair value of the shares is taken as the price on the date of completion.

The acquired businesses contributed revenues of £908,000 and profit before tax after the amortisation of the backlog and contract pipeline of £13,000 to the Group for the period 11 April 2008 to 31 May 2008.

Details of net assets acquired and goodwill are as follows:

	£'000
Purchase consideration:	
– Fair value of shares issued	1,383
– Fair value of cash paid	803
– Direct costs relating to the acquisition	175
Total purchase consideration	2,361
Fair value of net assets acquired	(280)
Goodwill	2,081

The goodwill is attributable to the workforce of the acquired businesses.

Goodwill is determined provisionally on these business combinations. IFRS 3 allows twelve months for the finalisation of the goodwill calculation in order to adjust for estimates such as taxation. Management do not expect any significant changes.

The assets and liabilities as of 11 April 2008 arising from the acquisition of PEP Fordertechnik GmbH, PEP Anlagenbau GmbH, PEP Systemtechnik GmbH and Innova Plast Kunststofftechnik GmbH are as follows:

	Fair value £'000	Acquiree's carrying amount £'000
Cash and cash equivalents	739	739
Property, plant and equipment	311	128
Intangible assets	344	6
Inventories	427	427
Trade and other receivables	1,805	1,805
Trade and other payables	(3,200)	(3,200)
Deferred tax liability	(146)	—
Net assets acquired	280	(95)
Purchase consideration	2,361	

The fair value of the intangible assets includes £338,000 for the valuation of the backlog and sales pipeline and the fair value of the tangible assets includes £183,000 for tooling.

