

Scientific Digital Imaging plc
Interim Report 2014

Scientific Digital Imaging plc (“SDI”) designs and manufactures digital imaging technology for use by the life science, healthcare, astronomy, and art conservation through Synoptics brands (Syngene, Synoptics Health, Synbiosis and Syncroscopy), the Artemis CCD company brands (Atik Cameras and Artemis CCD Cameras) and the Opus Instruments brand (Osiris).

SDI plans to continue to grow through its own technology advancements as well as strategic, complementary acquisitions.

Interim highlights

- Operating loss £20,000 (2013: loss £45,000) before aborted transaction costs, reorganisation costs and share based payments.
- The Board expects trading improvements in the second half of the year with the reorganisation of Synoptics completed in 2014, which provides a significant reduction in the cost base
- New acquisition, Opus Instruments contributed sales revenue and profitable trading
- Syngene launched a mid-range gel documentation system, T:Genius featuring an integrated tablet PC
- Synbiosis launch ProtoCOL 3 Chromogenic ID software for the Rapid Microbiology Market in October 2014
- Artemis CCD continuing to report sales and profitability above budget

Synoptics

Synoptics designs and manufactures special-purpose, innovative instruments and systems for use in the life science industry. The Company exploits digital imaging technologies for a range of disciplines and offers its products through four brands:

- Syngene – produces equipment for life scientists to image and analyse electrophoresis gels used for DNA and protein analysis
- Synbiosis – produces equipment for microbiologists to automate microbial colony counting
- Syncroscopy – provides systems that apply digital imaging techniques to microscopy applications, such as life and material sciences
- Synoptics Health – focuses on imaging techniques within the hospital and clinical environments using their ProReveal product

Artemis CCD

Artemis designs and manufactures high sensitivity cameras for deep-sky astronomical and life science imaging under the Atik and Artemis CCD brands.

Opus Instruments

Opus designs and manufactures an infrared camera, Osiris, which is used to examine works of art, utilising infrared camera technology with other potential digital imaging applications.

Chairman's statement

OVERVIEW

In the six month period ended 31 October 2014 the new acquisition, Opus Instruments, made a positive impact on trading alongside our established Artemis CCD Division which reported increased sales revenue.

During the period, we were also involved in reverse acquisition negotiations that were ultimately unsuccessful.

SDI revenue was £3.2m in the six months to 31 October 2014 (reduction of £349,000, relative to revenue £3.5m for the six months to 31 October 2013). The reduction in SDI revenue arose from Synoptics, whose revenue reduced due to falling sales in North and South America. We have addressed this by introducing a new mid-range competitive unit, T:Genius. Additionally we have invested in Synoptics US by recruiting a new VP for Sales and Marketing in November 2014.

The effect of the shortfall in revenue has meant that SDI reported an operating loss of £20,000 before aborted transaction costs, reorganisation costs and share based payments (2013: loss £45,000).

Basic and fully diluted losses per share were both 0.82p (2013: basic and fully diluted loss 0.33p)

The Group's cash position reduced by £271,000 to £316,000 over the period, mainly due to reduced sales revenue from the Synoptics Group during the financial period.

PRODUCT PORTFOLIO

Syngene remains the largest of the Synoptics brands. Over the past year, Syngene has experienced aggressive pricing competition in the DNA imaging sector, especially in North America, the largest life sciences market. This issue is being addressed by Syngene with the introduction of a number of new products.

In the period, the new ProtoCOL 3 Chromogenic ID software for identification of colonies on CHROMagar was launched. This new software is stimulating interest in ProtoCOL 3 within the rapid microbiology identification market, especially in the food microbiology sector and Synbiosis believes this will translate into sales growth in 2015.

In the past six months, Synoptics Health has continued to develop ProReveal, a fluorescence test to detect proteins on surgical instruments for the cleaning validation market and has appointed a new dealer in North America. In October, ProReveal was reviewed by the UK Government's Rapid Review Panel (RRP) and recommended for use in NHS England for optimising cleaning protocols, endorsing the technology as a validation tool. With 30 ProReveal systems demonstrated in the UK and internationally, the test continues to be purchased by companies and institutes in the decontamination equipment sector. ProReveal is not yet being adopted by the larger hospital sterile service departments due to statutory decontamination standards not yet being in place. SDI has revised its investment and promotional strategy for this product in 2015 with further emphasis being placed on bringing down the price point of the hardware in order to widen the immediate addressable market.

Since acquiring Opus Instruments in 2014 and introducing a touch screen version of the Osiris camera, sales growth for the division has been positive. With interest in this new camera growing, the Board believes Opus Instruments will continue to achieve sales forecasts, making a positive contribution to SDI's trading in 2015.

Artemis CCD introduced a new scanning camera in the period. Artemis is maintaining its strategy of selling cameras to OEM customers. This is helping Artemis CCD to make an increasing contribution to the SDI Group thanks to both intra-group revenues from Synoptics and growth in its OEM sales.

BUSINESS OPERATIONS

We have actively reduced our cost base. Administrative costs in the period were £1.8m, down 13% compared to £2.1m in the same period last year. We have further reviewed costs in the last three months and additional cost savings will be realised in the second half of the financial year.

The North American life science market is recovering and to capitalise on this, SDI is investing in the Synoptics US group with the appointment of a new US VP Sales and Marketing, as well as increased sales and product training to ensure that our Syngene and Synbiosis US dealer representative network is being fully utilised in this large market. This will result in a better coverage of the US, where Syngene and Synbiosis products have previously sold well. The Synoptics Health Division has also appointed a North American distributor, which is actively promoting the product and means it will be easier for many decontamination equipment suppliers to assess the technology in this major market.

Investing in our US operations and focusing our promotional efforts on the established Syngene and Synbiosis brands means SDI is well placed to increase sales revenue in its Synoptics Division in 2015.

ACQUISITIONS

SDI is actively seeking profitable scientific and technology based companies. Acquisitions in the £1m to £10m range would be appropriate and are currently being sought.

OUTLOOK

Renewed commercial efforts in North America and the introduction of new systems to appeal to this market are expected to help the Synoptics division return to sales growth in 2015. The Board anticipates that Opus Instruments and Artemis CCD will continue to make positive contributions to SDI. The new Synoptics products released in the last quarter of 2014, together with a focused sales strategy are expected to result in sales and profit growth in 2015. Profitable stable current subsidiaries should then provide a sound base to make further acquisitions in due course.

Ken Ford, Chairman
15 January 2015

Consolidated income statement

Unaudited for the six months ended 31 October 2014

	Note	6 months to 31 October 2014 Unaudited £'000	6 months to 31 October 2013 Unaudited £'000	12 months to 30 April 2014 Audited £'000
Revenue		3,188	3,537	7,037
Costs of sales		(1,353)	(1,436)	(3,021)
Gross profit		1,835	2,101	4,016
Currency exchange loss		(12)	(22)	(66)
Administrative expenses		(1,843)	(2,124)	(3,893)
Share based payments		(5)	(5)	(6)
Acquisition costs		-	-	(28)
Aborted transaction costs		(131)	-	-
Reorganisation costs		(51)	-	(22)
Total administrative expenses		(2,042)	(2,151)	(4,015)
Operating (loss)/profit		(207)	(50)	1
Financial income		-	-	-
Financial expenses		(20)	(24)	(39)
(Loss)/Profit before taxation		(227)	(74)	(38)
Income tax expense		-	-	-
(Loss)/profit for the period		(227)	(74)	(38)
Earnings per share				
Basic (loss)/earnings per share	2	(0.82p)	(0.33p)	(0.16p)
Diluted (loss)/earnings per share		(0.82p)	(0.33p)	(0.16p)

Consolidated statement of comprehensive income

Unaudited for the six months ended 31 October 2014

		6 months to 31 October 2014 Unaudited £'000	6 months to 31 October 2013 Unaudited £'000	12 months to 30 April 2014 Audited £'000
(Loss)/profit for the period		(227)	(74)	(38)
Other comprehensive income				
Items that will be reclassified subsequently to profit and loss				
Exchange differences on translating foreign operations		38	(30)	(75)
Total comprehensive (loss)/profit for the period		(189)	(104)	(113)

Consolidated balance sheet
Unaudited at 31 October 2014

	Note	31 October 2014 Unaudited £'000	31 October 2013 Unaudited £'000	30 April 2014 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		379	392	419
Intangible assets		2,064	884	2,085
Deferred tax asset		99	125	99
		2,542	1,401	2,603
Current assets				
Inventories		1,059	1,061	1,117
Trade and other receivables		1,344	1,327	1,286
Current tax assets		-	-	16
Cash and cash equivalents		316	541	539
		2,719	2,929	2,958
Total assets		5,261	4,330	5,561
Liabilities				
Current liabilities				
Trade and other payables		1,527	1,213	1,427
Provisions for warranty		17	17	17
Borrowings	3	143	115	199
Current tax payable		-	-	35
		1,687	1,345	1,678
Non-current liabilities				
Borrowings	3	198	35	272
Trade and other payables		138	-	189
Deferred tax liability		169	164	169
		505	199	630
Total liabilities		2,192	1,544	2,308
Net assets		3,069	2,786	3,253
Equity				
Share capital		278	250	278
Merger reserve		3,030	2,606	3,030
Share premium account		1,063	1,040	1,063
Foreign exchange reserve		(71)	(64)	(109)
Own shares held by Employee Benefit Trust		(85)	(85)	(85)
Other reserves		70	105	65
Retained earnings		(1,216)	(1,066)	(989)
Total equity		3,069	2,786	3,253

Consolidated statement of cash flows

Unaudited for the six months ended 31 October 2014

	6 months to 31 October 2014 Unaudited £'000	6 months to 31 October 2013 Unaudited £'000	12 months to 30 April 2014 Audited £'000
Operating activities			
(Loss)/profit for the period	(227)	(74)	(38)
Depreciation and amortisation	282	252	595
Finance costs and income	20	24	39
Taxation expense in the income statement	-	-	-
Exchange difference	-	(38)	-
Employee share based payments	5	5	6
Operating cash flow before movement in working capital	80	169	602
Increase in inventories	58	(114)	(88)
Changes in trade and other receivables	(52)	140	199
Changes in trade and other payables	103	(210)	(190)
Cash (used in)/generated from operations	189	(15)	523
Interest paid	(20)	(24)	(26)
Income taxes (received)/paid	(35)	-	7
Cash (used in)/generated from operating activities	134	(39)	504
Cash flows from investing activities			
Capital expenditure on fixed assets	(62)	(96)	(257)
Expenditure on development and other intangibles	(159)	(121)	(540)
Acquisition of subsidiaries, net of cash	-	-	(273)
Proceeds from sale of property, plant and equipment	-	-	64
Net cash used in investing activities	(221)	(217)	(1,006)
Cash flows from financing activities			
Movement in finance leases	(12)	17	(34)
Loan stock repayment	-	(243)	(204)
Issue of shares net of costs	-	635	636
Repayment of borrowings	(118)	-	(27)
Proceeds from bank borrowings	-	8	300
Net cash (used in)/from financing activities	(130)	417	671
Net changes in cash and cash equivalents	(217)	161	169
Cash and cash equivalents, beginning of period	539	388	388
Foreign currency movements on cash balances	(6)	(8)	(18)
Cash and cash equivalents, end of period	316	541	539

Consolidated statement of changes in equity

Unaudited for the six months ended 31 October 2014

6 months to 31 October 2014 – unaudited	Share capital £'000	Merger reserve £'000	Share premium £'000	Own shares held by EBT £'000	Other reserves £'000	Foreign exchange £'000	Retained earnings £'000	Total £'000
Balance at 1 May 2014	278	3,030	1,063	(85)	65	(109)	(989)	3,253
Share based payments	-	-	-	-	5	-	-	5
Transactions with owners	-	-	-	-	5	-	-	5
Profit for the period	-	-	-	-	-	-	(227)	(227)
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	38	-	38
Total comprehensive income for the period	-	-	-	-	-	38	(227)	(189)
Balance at 31 October 2014	278	3,030	1,063	(85)	70	(71)	(1,216)	3,069
6 months to 31 October 2013 – unaudited	Share capital £'000	Merger reserve £'000	Share premium £'000	Own shares held by EBT £'000	Other reserves £'000	Foreign exchange £'000	Retained earnings £'000	Total £'000
Balance at 1 May 2013	194	2,606	335	(85)	100	(34)	(992)	2,124
Share based payments	-	-	-	-	5	-	-	5
Shares issue	56	-	705	-	-	-	-	761
Transactions with owners	56	-	705	-	-	-	-	766
Profit for the period	-	-	-	-	-	-	(74)	(74)
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	(30)	-	(30)
Total comprehensive income for the period	-	-	-	-	-	(30)	(74)	(104)
Balance at 31 October 2013	250	2,606	1,040	(85)	105	(64)	(1,086)	2,786
12 months to 30 April 2014 – audited	Share capital £'000	Merger reserve £'000	Share premium £'000	Own shares held by EBT £'000	Other reserves £'000	Foreign exchange £'000	Retained earnings £'000	Total £'000
Balance at 1 May 2013	194	2,606	335	(85)	100	(34)	(992)	2,124
Shares issued	84	424	728	-	-	-	-	1,236
Share based payments	-	-	-	-	6	-	-	6
Transfer of equity on consolidation of shares	-	-	-	-	(41)	-	41	-
Transactions with owners	84	424	728	-	(35)	-	41	1,242
Loss for the year	-	-	-	-	-	-	(38)	(38)
Foreign exchange on consolidation of subsidiaries	-	-	-	-	-	(75)	-	(75)
Total comprehensive income	-	-	-	-	-	(75)	(38)	(113)
Balance at 30 April 2014	278	3,030	1,063	(85)	65	(109)	(989)	3,253

Notes to the interim financial statements

Unaudited for the six months ended 31 October 2014

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

Reporting entity

Scientific Digital Imaging plc (the "Company"), a public limited company, is the Group's ultimate parent. It is registered in England and Wales. The consolidated interim financial statements of the Company for the period ended 31 October 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The unaudited consolidated interim financial statements are for the six months ended 31 October 2014. These interim financial statements have been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively EU IFRS). The financial information for the year ended 30 April 2014 is based upon the audited statutory accounts for that year.

The consolidated interim financial information has been prepared on the historical cost basis.

The consolidated interim financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company.

The consolidated interim financial information was approved by the Board of Directors on 15 January 2015.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The figures for the year ended 30 April 2014 have been extracted from the statutory financial statements of Scientific Digital Imaging plc which have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, but did contain an emphasis of matter paragraph outlining the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. The financial information for the six months ended 31 October 2014 and for the six months ended 31 October 2013 has not been audited.

1. Principal accounting policies

The principal accounting policies adopted in the preparation of the condensed consolidated interim information are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 April 2014.

The accounting policies have been applied consistently throughout the Group the purposes of preparation of these interim financial statements.

2. Earnings per share

The calculation of the basic (loss)/earnings per share is based on the (losses)/profits attributable to the shareholders of Scientific Digital Imaging plc divided by the weighted average number of shares in issue during the year, excluding shares held by the Synoptics Employee Benefit Trust. All (loss)/profit per share calculations relate to continuing operations of the Group.

	(Loss)/Profit attributable to shareholders £'000	Weighted average number of shares	Basic (loss)/earnings per share amount in pence
--	---	--	---

Period ended 31 October 2014	(227)	27,777,308	(0.82)
Period ended 31 October 2013	(74)	22,098,744	(0.33)
Year ended 30 April 2014	(38)	24,471,226	(0.16)

The calculation of diluted earnings per share is based on the profits attributable to the shareholders of Scientific Digital Imaging plc divided by the weighted average number of shares in issue during the year, as adjusted for dilutive share options, dilutive deferred consideration and shares held by the Synoptics Employee Benefit Trust.

			Diluted (loss)/earnings per share amount in pence
Period ended 31 October 2014			(0.82)
Period ended 31 October 2013			(0.33)
Year ended 30 April 2014			(0.16)

The reconciliation of average number of ordinary shares used for basic and diluted earnings is as below:

	31 October 2014	30 October 2013	30 April 2014
Weighted average number of ordinary shares used for basic earnings per share	27,777,308	22,098,744	24,471,226
Weighted average number of ordinary shares under option	933,000	1,004,233	993,000
Weighted average number of ordinary shares used for diluted earnings per share	28,710,308	23,102,977	25,464,226

Due to the loss generated in the period ended 31 October 2014, the diluted loss per share for that period is based on the undiluted loss per share.

3. Borrowings

	31 October 2014 £'000	31 October 2013 £'000	30 April 2014 £'000
Within one year:			
Bank finance	100	84	168
Finance leases	43	31	31
	143	115	199
After one year and within five years:			
Bank finance	133	-	183
Other loan	50	-	50
Finance leases	15	35	39
	198	35	272
Total borrowings	341	150	471

The Group utilises short-term facilities to finance its operation. The Group has one principal banker with an invoice discounting facility of up to £500,000. At the end of the period the Group had utilised £80,668 of this facility.

Scientific Digital Imaging plc

Beacon House
Nuffield Road
Cambridge
CB4 1TF
UK

Telephone: +44 (0)1223 727144

Fax: +44 (0)1223 727101

Email: info@scientificdigitalimaging.com