





SDI plc



Scientific Digital Imaging plc (“SDI”) designs and manufactures scientific and technology products for use in applications including life sciences, healthcare, astronomy, consumer manufacturing and art conservation.

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



For more information, visit:

www.scientificdigitalimaging.com

Interim highlights

- **Revenue increased by 15% to £3,671,000 (2014: £3,188,000)**
- **Adjusted operating profit* was £189,000 (2014: loss £20,000)**
- **Operating profit was £29,000 (2014: loss £207,000)**
- **Gross margin increased to 58.0% (2014: 57.6%)**
- **New acquisition Sentek Limited (“Sentek”) acquired on 28 October 2015. SDI paid £2,000,000. The acquisition was funded initially using existing cash resources and a debt facility, with the majority of the debt subsequently repaid by raising £2,500,000 in equity after the period end**
- **Post period event – settlement following a general meeting of the successful equity fundraising of £2,500,000 (before expenses) to repay debt from acquiring Sentek, with the balance of net proceeds to be reinvested in the business**
- **Artemis CCD continued to report increased levels of sales and profitability**

* Before transaction costs, reorganisation costs and share based payments

Overview

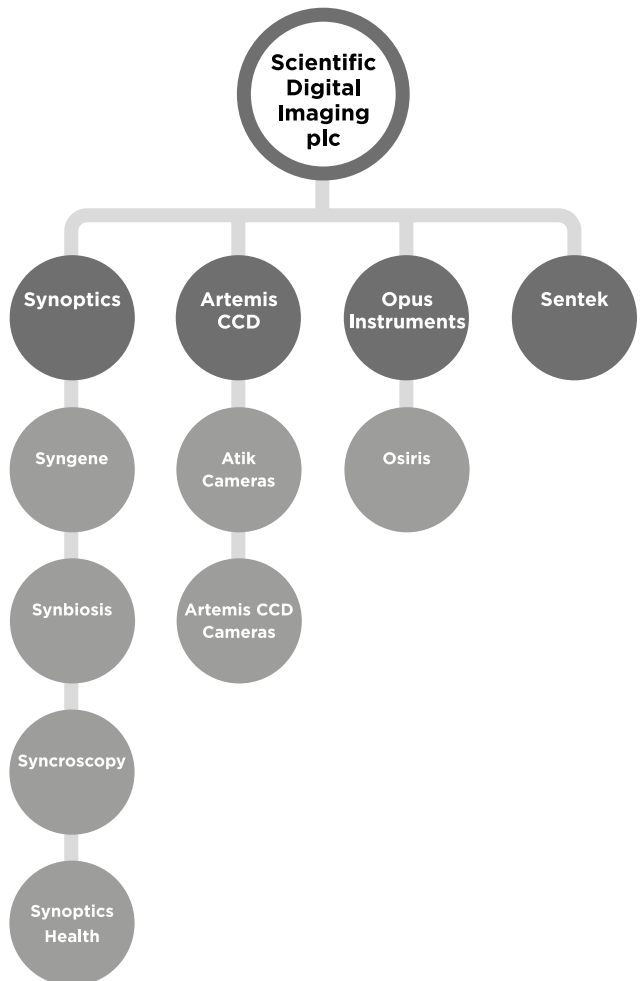
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SDI at a glance

SDI, through its subsidiaries, offers a range of digital imaging solutions for life science, microbiology, astronomy and health markets.





Synoptics

Synoptics designs and manufactures special-purpose, innovative instruments and systems for use mainly 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 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 the ProReveal system.



Artemis CCD

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



Opus Instruments

Opus designs and manufactures an infrared camera, Osiris, which is used to examine works of art using infrared camera technology.



Sentek

Sentek manufactures and sells both reusable and single-use electrodes for the measurement of pH and conductivity of aqueous solutions. Applications range from laboratory use to manufacture of foods, beverages, pharmaceuticals and personal care products.

Chairman's statement



Overview

In the six-month period ended 31 October 2015, SDI acquired Sentek. The acquisition was completed on 28 October 2015 and therefore has very limited effect on the six month period results. Going forward, we expect that the acquisition of Sentek will be earnings enhancing in the first full year of ownership.

SDI revenue was £3,671,000 in the six months to 31 October 2015 (increased by £483,000 relative to revenue of £3,188,000 for the six months to 31 October 2014). The increase in revenue arose from Synoptics and Atik over the six-month period.

The established Atik brand continued to report increased sales revenue and profitability.

Basic and fully diluted earnings per share were both 0.04p (2014: basic and fully diluted loss 0.82p).

The Group's cash position reduced by £619,000 to £257,000 over the period, due to the utilisation of internal funds to contribute to the purchase of Sentek. After the period end, SDI raised £2,500,000 before expenses through the issue of equity and borrowed £500,000 from its bank, used to repay short-term debt funding the purchase of Sentek with the remainder increasing the Group's working capital reserves.

Product portfolio

Syngene remains the largest of the Synoptics brands. It has been continuing to improve its software and hardware, for a number of its products. We believe that these improvements will be attractive to our current and potential customers.

During the period, Synbiosis released a new version of ProtoCOL 3, including antibiotic susceptibility testing software. The new software is stimulating additional interest in ProtoCOL 3; Synbiosis believes that this will translate into sales growth in 2016. The division is currently developing a new system, ChromaZona, for antibiotic resistance testing in clinical laboratories. It is currently undergoing clinical certification as it will be used for clinical diagnostics and we can then seek to exploit new large and growing markets including hospital laboratories.

Synoptics Health has continued to sell ProReveal, a test to detect proteins on surgical instruments. The absence of an official limit of acceptable protein contamination on re-usable surgical instruments was previously a significant barrier to the adoption by the NHS of ProReveal. In May 2015, the UK Department of Health (DoH) published new guidelines that define a limit for acceptable protein contamination on re-usable surgical instruments (www.gov.uk/government/publications/guidance-from-the-acdp-tse-risk-management-subgroup-formerly-tse-working-group). We expect the publication of these guidelines to accelerate adoption of ProReveal for this use. ProReveal is the only available CE-marked instrument capable of determining quantitatively the level of protein contamination on instruments. Furthermore, it has been shown to be sensitive below 50ng of protein and thus fulfils the DoH requirements for greater sensitivity for neurosurgical instruments.

Since acquiring Opus Instruments in 2014, Osiris camera sales have remained steady. The Board believes that it will continue to make a positive contribution to SDI's trading in 2016.

In the first half of the financial year, Atik reported growth in sales and profitability. Atik constantly analyses the market and seeks to develop cutting edge products to attract a wider customer base. The recently introduced Infinity camera marks a departure from its existing astro-imaging products which are intended to collect data that is subsequently processed to a finished picture. The Infinity is used with a telescope to provide astronomers with near real time visualisation of faint deep sky objects such as galaxies and nebulas. The camera is proving particularly popular with astronomers who had been reluctant to try astro-imaging due to the steep learning curve, as well as those involved with outreach projects. We believe that the Infinity camera will help introduce the Atik brand to a new group of astronomers and provide an easy entry point to the rewarding astro-imaging hobby market.

SDI's latest acquisition Sentek differs in its business profile from SDI's other established divisions. Sentek makes and sells consumables rather than equipment and software, so it has a stream of repeat business. Sentek's products are electrodes that have a working life of only six to twelve months and need to be replaced regularly. Sentek also produces a single-use electrode for bioprocessing applications, a fast-growing area in pharmaceutical and biotech companies. The business has been profitable since incorporation in 1991; it has had a revenue CAGR* over the past five years of 9% and a five-year profit before tax CAGR of 33%.

Acquisitions

SDI is actively seeking further profitable scientific and technology based companies to continue its buy and build strategy.

Outlook

The Board anticipates that the recent acquisition of Sentek will be earnings enhancing in the first full year of ownership. The Board expects SDI to continue to make good progress over the remainder of the financial year as we continue to pursue our strategy of organic and acquisitive growth.

Ken Ford,

Chairman
8 January 2016

* CAGR = compound annual growth rate

Consolidated income statement

Unaudited for the six months ended 31 October 2015

	Note	6 months to 31 October 2015 Unaudited £'000	6 months to 31 October 2014 Unaudited £'000	12 months to 30 April 2015 Audited £'000
Revenue		3,671	3,188	6,955
Costs of sales		(1,541)	(1,353)	(2,837)
Gross profit		2,130	1,835	4,118
Administrative expenses		(1,941)	(1,855)	(3,725)
Adjusted operating profit/(loss)		189	(20)	393
Reorganisation costs		(17)	(51)	(200)
Share based payments		(4)	(5)	(8)
Acquisition and fundraising costs		(139)	-	(126)
Aborted transaction costs		-	(131)	-
Operating profit/(loss)		29	(207)	59
Net financing expense		(16)	(20)	(36)
Profit/(loss) before taxation		13	(227)	23
Income tax expense		-	-	21
Profit/(loss) for the period		13	(227)	44
Earnings per share	2			
Basic earnings/(loss) per share		0.04p	(0.82p)	0.15p
Diluted earnings/(loss) per share		0.04p	(0.82p)	0.15p

Consolidated statement of comprehensive income

Unaudited for the six months ended 31 October 2015

	6 months to 31 October 2015 Unaudited £'000	6 months to 31 October 2014 Unaudited £'000	12 months to 30 April 2015 Audited £'000
Profit/(loss) for the period	13	(227)	44
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations	-	38	40
Total comprehensive profit/(loss) for the period	13	(189)	84

Consolidated balance sheet

Unaudited at 31 October 2015

	Note	31 October 2015 Unaudited £'000	31 October 2014 Unaudited £'000	30 April 2015 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		367	379	417
Intangible assets		4,103	2,064	2,012
Deferred tax asset		105	99	105
		4,575	2,542	2,534
Current assets				
Inventories		1,159	1,059	982
Trade and other receivables		1,244	1,344	1,584
Current tax assets		-	-	5
Cash and cash equivalents		365	316	876
		2,768	2,719	3,447
Total assets		7,343	5,261	5,981
Liabilities				
Current liabilities				
Overdraft		108	-	-
Trade and other payables	3	1,432	1,527	1,452
Provisions for warranty		19	17	18
Borrowings		1,343	143	269
Current tax payable	3	-	-	-
		2,902	1,687	1,739
Non-current liabilities				
Borrowings		372	198	156
Trade and other payables		73	138	101
Deferred tax liability		174	169	174
		619	505	431
Total liabilities		3,521	2,192	2,170
Net assets		3,822	3,069	3,811
Equity				
Share capital		329	278	329
Merger reserve		3,030	3,030	3,030
Share premium account		1,472	1,063	1,478
Foreign exchange reserve		(72)	(71)	(69)
Own shares held by Employee Benefit Trust		(85)	(85)	(85)
Other reserves		80	70	73
Retained earnings		(932)	(1,216)	(945)
Total equity		3,822	3,069	3,811

Consolidated statement of cash flows

Unaudited for the six months ended 31 October 2015

	6 months to 31 October 2015 Unaudited £'000	6 months to 31 October 2014 Unaudited £'000	12 months to 30 April 2015 Audited £'000
Operating activities			
Profit/(loss) for the period	13	(227)	(44)
Depreciation and amortisation	256	282	571
Finance costs and income	16	20	36
Taxation expense in the income statement	-	-	(21)
Increase in provisions	1	-	1
Employee share based payments	4	5	8
Operating cash flow before movement in working capital			
	290	80	639
(Increase)/decrease in inventories	(177)	58	135
Changes in trade and other receivables	340	(52)	(298)
Changes in trade and other payables	(48)	103	(37)
Cash generated from operations			
	405	189	439
Interest paid	(16)	(20)	(26)
Income taxes (received)/paid	5	(35)	(4)
Cash generated from operating activities			
	394	134	409
Cash flows from investing activities			
Capital expenditure on fixed assets	(97)	(62)	(255)
Expenditure on development and other intangibles	(137)	(159)	(299)
Acquisition of subsidiaries, net of cash	(2,111)	-	-
Proceeds from sale of property, plant and equipment	40	-	65
Net cash used in investing activities			
	(2,305)	(221)	(489)
Cash flows from financing activities			
Movement in finance leases	(13)	(12)	(33)
Share issue costs	(6)	-	-
Proceeds from share issue	-	-	466
Share based payment reserve	7	-	-
Repayment of borrowings	(50)	(118)	(30)
Other loans	100	-	-
Proceeds from bank borrowings	1,253	-	-
Net cash from/(used in) financing activities			
	1,291	(130)	403
Net (decrease)/increase in cash and cash equivalents			
	(620)	(217)	323
Cash and cash equivalents, beginning of period			
	876	539	539
Foreign currency movements on cash balances			
	1	(6)	14
Cash and cash equivalents, end of period			
	257	316	876

Consolidated statement of changes in equity

Unaudited for the six months ended 31 October 2015

6 months to 31 October 2015 - 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 2015	329	3,030	1,478	(85)	73	(69)	(945)	3,811
Share based payments	-	-	-	-	7	-	-	7
Fundraising costs	-	-	(6)	-	-	-	-	(6)
Transactions with owners	-	-	(6)	-	7	-	-	1
Profit for the period	-	-	-	-	-	-	13	13
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	-	-	-	(3)	13	10
Balance at 31 October 2015	329	3,030	1,472	(85)	80	(72)	(932)	3,822

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
Loss 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

12 months to 30 April 2015 - 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 2014	278	3,030	1,063	(85)	65	(109)	(989)	3,253
Shares issued	51	-	415	-	-	-	-	466
Share based payments	-	-	-	-	8	-	-	8
Transfer of equity on consolidation of shares	-	-	-	-	-	-	-	-
Transactions with owners	51	-	415	-	8	-	-	474
Loss for the year	-	-	-	-	-	-	44	44
Foreign exchange on consolidation of subsidiaries	-	-	-	-	-	40	-	40
Total comprehensive income	-	-	-	-	-	40	44	84
Balance at 30 April 2015	329	3,030	1,478	(85)	73	(69)	(945)	3,811

Notes to the interim financial statements

Unaudited for the six months ended 31 October 2015

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 2015 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 2015. 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 2015 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 7 January 2016. 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 2015 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. The financial information for the six months ended 31 October 2015 and for the six months ended 31 October 2014 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 2015. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

2. Earnings per share

The calculation of the basic earnings/(loss) per share is based on the profits/(losses) 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 profit/(loss) per share calculations relate to continuing operations of the Group.

	Profit/(Loss) attributable to shareholders £'000	Weighted average number of shares	Basic earnings/(loss) per share amount in pence
Period ended 31 October 2015	13	32,912,308	0.04
Period ended 31 October 2014	(227)	27,777,308	(0.82)
Year ended 30 April 2015	44	28,902,787	0.15

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.

2. Earnings per share continued

	Diluted (loss)/earnings per share amount in pence
Period ended 31 October 2015	0.04
Period ended 31 October 2014	(0.82)
Year ended 30 April 2015	0.15

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

	31 October 2015	31 October 2014	30 April 2015
Weighted average number of ordinary shares used for basic earnings per share	32,912,308	27,777,308	28,902,787
Weighted average number of ordinary shares under option	-	-	-
Weighted average number of ordinary shares used for diluted earnings per share	32,912,308	27,777,308	28,902,787

All share options are nondilutive at 31 October 2014, 30 April 2015 and 31 October 2015. Such options could potentially dilute basic earnings per share in the future.

3. Borrowings

	31 October 2015 £'000	31 October 2014 £'000	30 April 2015 £'000
Within one year:			
Bank finance	1,167	100	248
Other loan	150	-	-
Finance leases	26	43	21
	1,343	143	269
After one year and within five years:			
Bank finance	367	133	83
Other loan	-	50	50
Finance leases	5	15	23
	372	198	156
Total borrowings	1,715	341	425

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.

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