

Interim Report 2012
Scientific Digital Imaging plc



SDI plc is focused on the application of digital imaging technology to the needs of the scientific community.

We are digital imaging specialists, designing and manufacturing unique high precision instruments for life science, microbiology and astronomy applications.

Our business has grown to include Synoptics, Artemis and Perseu, all world class businesses, broadening our product portfolio and design and engineering capabilities.

Our vision is to become an industry leader in providing the very finest imaging tools. We plan to achieve this goal through increased research and development and strategic acquisitions.

For more information, visit:
www.scientificdigitalimaging.com



Our highlights

- ① Sales increased by 13.2% to £3.7m (2011: £3.3m)
- ② Gross margins increased to 58.9% (2011: 55.2%)
- ③ Operating profit £43,000 (2011: £159,000 loss)
- ④ Basic profit per share 0.06p (2011: (1.00)p loss)
- ⑤ Synoptics introduced a new division, Synoptics Health, to market and supply a system for testing the cleanliness of surgical instruments post washing

Sales (£m)

£3.7m

(2011: £3.3m)

Gross margins

+58.9%

(2011: 55.2%)

Overview

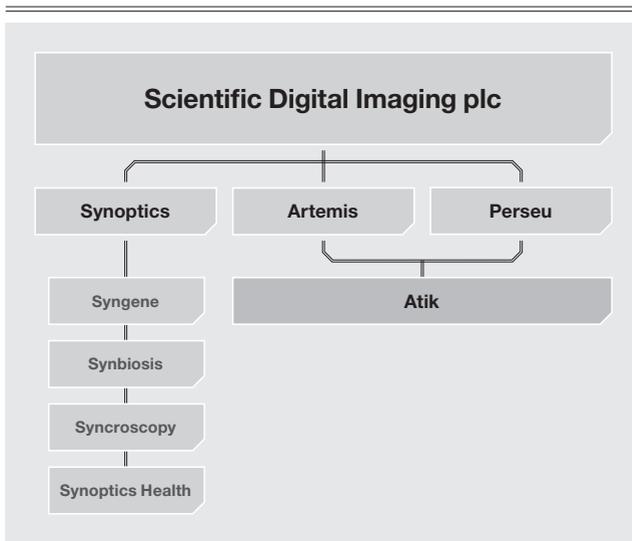
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Financial Statements

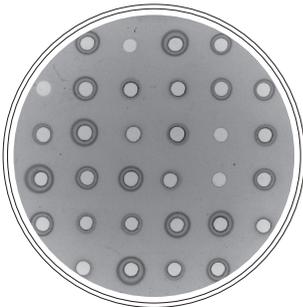
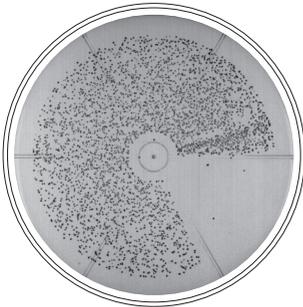
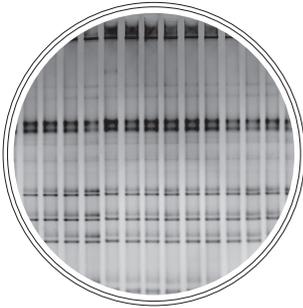
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SDI at a glance

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



SDI intends to return to its strategy of ‘buy and build’ based upon its digital imaging platform and associated technologies.



Synoptics

The principal subsidiary is Synoptics which designs and manufactures special-purpose instruments for use in the life sciences. Synoptics develops and manufactures innovative scientific instruments and systems that exploit digital imaging technology for a range of disciplines. Synoptics offers its products through four divisions.

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.

Synroscopy – provides systems that apply digital imaging techniques to microscopy applications, such as life and material sciences.

Synoptics Health – focuses on imaging techniques within the clinical environment.

Artemis and Perseu

These companies design and manufacture high sensitivity cameras for deep-sky astronomical and life science imaging under the Atik and Artemis CCD brands.

Chairman's statement



Ken Ford
Chairman

“The Board anticipates that new products released during 2013 together with the ongoing cost efficiencies will result in steady growth and an improvement in margins.”

Overview

At the half-way stage of the year there has been positive progress for Scientific Digital Imaging plc (“SDI”) and we are beginning to reap the rewards of our repositioned business strategy and corporate restructuring. Although global recession continues to affect our and other international businesses, we are seeing a recovery in terms of increasing demand for our products and positive sales growth in many territories.

SDI’s infrastructure in terms of staffing and its technology portfolio is now established, allowing the Company to achieve a steady rate of development.

SDI’s revenue was £3,747,000 in the six months to 31 October 2012 (13.2% increase relative to revenue of £3,309,000 for the six months to 31 October 2011).

Gross margin percentage increased from 55.2% to 58.9% due to the cost reduction programmes undertaken in 2011 by the Synoptics divisions.

Administrative expenses increased to £2,155,000 (2011: £1,943,000), mainly due to an increased sales force, launch of the new Synoptics Health division and the change in accounting treatment of warranty costs and consumables.

Basic and fully diluted profit per share were both 0.06p (2011: basic and fully diluted loss 1.00p).

The Group’s cash position decreased by £116,000 to £169,000 over the period, mainly due to investment in IT systems, increased inventory levels and trade receivables. The latter are short term issues which arose from high levels of trading in October 2012 and the purchase of component stocks for the new products, PXi and ProReveal.

Product portfolio

During the six months, the Synoptics Group has introduced the new division of Synoptics Health to market and supply a system for testing the cleanliness of surgical instruments post washing. This fluorescence imaging technology, known as ProReveal, which is the result of our successful four year strategic collaboration with Queen Mary University of London, was launched in Q4 at major trade show Medica and there is already considerable interest in this product. The launch of the new division will allow Synoptics a first mover advantage in a number of untapped healthcare market sectors.

I am pleased to report there have also been advances in SDI in-house product development programmes in our other areas and we have several new automated systems in our portfolio, launched in the past six months.

The Syngene division continues to be successful with its recently introduced budget-level gel documentation equipment (on which Syngene now generates improved gross margins). A new addition to the premium end of the market is the PXi system together with a touch screen version which is being launched in Q1 of 2013. This product utilises Syngene's particular expertise in the imaging of samples using its own novel lighting technology.

In the Symbiosis division, our high end colony counter launched in 2012 continues to be popular and we will launch a product extension to this line which will recognise not only colony numbers but also identify different types of microorganisms. In the coming year, we expect this innovation will provide another first mover advantage as no other commercial colony counter currently in the microbiology market is able to perform this task. To ensure we offer the full spectrum of products, Symbiosis will be re-designing its low end automated colony counter for launch in Q2 2013, to provide a cost-effective system for use in the large clinical and academic markets.

Artemis CCD has launched a new camera range aimed at the life sciences industry and has in the period signed an OEM agreement with an instrument manufacturer to supply the camera for use in raman spectroscopy equipment, for which there is a global demand within the pharmaceutical market.

Business operations

Both the Synoptics Group and Artemis CCD have recruited further sales and marketing staff both in Europe and the USA. Synoptics has signed an agreement with an experienced North American distributor of research instrumentation, which we believe will help us penetrate the lucrative Canadian life science market. The new Synoptics Health division has appointed a well-established UK supplier of decontamination products for UK and Ireland and will actively seek additional global distributors for the ProReveal technology in 2013. The expansion of our sales force and the addition of new distributors mean SDI is in an excellent position to leverage the Company's first mover advantage with the unique product ranges in our portfolio, thus securing the next phase of revenue growth.

Outlook

Life science markets are beginning a tentative recovery and, with the introduction of a new Synoptics division and a number of innovative systems in this period, our current sales pipeline continues to grow.

The Board anticipates that new products released during 2013 together with the ongoing cost efficiencies will result in steady growth and an improvement in margins. This means that the Board remains confident in the outlook for 2013.

Ken Ford

Chairman

11 December 2012

Consolidated income statement

Unaudited for the six months ended 31 October 2012

	Note	6 months to 31 October 2012 Unaudited £'000	6 months to 31 October 2011 Unaudited £'000	12 months to 30 April 2012 Audited £'000
Revenue		3,747	3,309	7,170
Costs of sales		(1,539)	(1,483)	(3,090)
Gross profit		2,208	1,826	4,080
Currency exchange (loss)/gain		(10)	(4)	2
Administrative expenses		(2,155)	(1,943)	(3,925)
Reorganisation costs		—	(38)	(73)
Total administrative expenses		(2,165)	(1,985)	(3,996)
Operating profit/(loss)		43	(159)	84
Financial income		—	—	1
Financial expenses		(31)	(31)	(65)
Profit/(loss) before taxation		12	(190)	20
Income tax expense/(credit)		1	(11)	—
Profit/(loss) for the period		11	(179)	20
Earnings per share				
Basic earnings/(loss) per share	2	0.06p	(1.00)p	0.11p
Diluted earnings/(loss) per share		0.06p	(1.00)p	0.10p

Consolidated statement of comprehensive income

Unaudited for the six months ended 31 October 2012

	6 months to 31 October 2012 Unaudited £'000	6 months to 31 October 2011 Unaudited £'000	12 months to 30 April 2012 Audited £'000
Profit/(loss) for the period	11	(179)	20
Other comprehensive income			
Exchange differences on translating foreign operations	(6)	44	(21)
Total comprehensive profit/(loss) for the period	5	(135)	(1)

Consolidated balance sheet

Unaudited at 31 October 2012

	Note	31 October 2012 Unaudited £'000	31 October 2011 Unaudited £'000	30 April 2012 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		459	449	386
Intangible assets		718	731	726
Deferred tax asset		107	129	113
		1,284	1,309	1,225
Current assets				
Inventories		934	756	826
Trade and other receivables		1,607	1,285	1,527
Cash and cash equivalents		169	256	285
		2,710	2,297	2,638
Total assets		3,994	3,606	3,863
Liabilities				
Current liabilities				
Trade and other payables		1,394	1,171	1,282
Provisions for warranty		22	17	17
Borrowings	3	529	90	114
		1,945	1,278	1,413
Non-current liabilities				
Borrowings	3	23	424	423
Deferred tax liability		132	148	138
		155	572	561
Total liabilities		2,100	1,850	1,974
Net assets		1,894	1,756	1,889
Equity				
Share capital		194	187	187
Merger reserve		2,606	2,606	2,606
Share premium account		335	263	262
Foreign exchange reserve		(79)	(8)	(73)
Own shares held by Employee Benefit Trust		(85)	(85)	(85)
Other reserves		96	176	176
Retained earnings		(1,173)	(1,383)	(1,184)
Total equity		1,894	1,756	1,889

Consolidated statement of cash flows

Unaudited for the six months ended 31 October 2012

	6 months to 31 October 2012 Unaudited £'000	6 months to 31 October 2011 Unaudited £'000	12 months to 30 April 2012 Audited £'000
Operating activities			
Profit/(loss) for the period	11	(179)	20
Depreciation and amortisation	246	231	457
Finance expense	31	31	64
Taxation expense/(credit) recognised in the income statement	1	(11)	—
(Increase)/decrease in inventories	(108)	25	(45)
Increase in warranty provision	5	—	—
Foreign exchange loss	(6)	43	(26)
Operating cash flow before movement in working capital	180	140	470
Changes in trade and other receivables	(80)	119	(136)
Changes in trade and other payables	110	101	228
Cash generated from operations	210	360	562
Interest paid	(27)	(15)	(56)
Income taxes paid	—	—	5
Cash generated from operating activities	183	345	511
Cash flows from investing activities			
Purchase of property, plant and equipment	(179)	(76)	(155)
Investment in development	(132)	(108)	(229)
Proceeds from sale of property, plant and equipment	—	—	41
Net cash used in investing activities	(311)	(184)	(343)
Cash flows from financing activities			
Capital element of finance leases	(7)	(12)	(21)
Issues of shares and warrants	—	3	2
Bank borrowings	19	(54)	(25)
Net cash used in financing activities	12	(63)	(44)
Net changes in cash and cash equivalents	(116)	98	124
Cash and cash equivalents, beginning of period	285	158	158
Foreign currency movements on cash balances	—	—	3
Cash and cash equivalents, end of period	169	256	285

Consolidated statement of changes in equity

Unaudited for the six months ended 31 October 2012

6 months to 31 October 2012 – unaudited

Balance at 1 May 2012

Shares issued as deferred payment

Transactions with owners

Profit for the period

Foreign exchange on consolidation of subsidiary

Total comprehensive income for the period

Balance at 31 October 2012

6 months to 31 October 2011 – unaudited

Balance at 1 May 2011

Share based payments

Transactions with owners

Loss for the period

Foreign exchange on consolidation of subsidiary

Total comprehensive income for the period

Balance at 31 October 2011

12 months to 30 April 2012 – audited

Balance at 1 May 2011

Shares options issued

Transactions with owners

Profit for the year

Foreign exchange on consolidation of subsidiary

Total comprehensive income

Balance at 30 April 2012

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
187	2,606	262	(85)	176	(73)	(1,184)	1,889
7	—	73	—	(80)	—	—	—
7	—	73	—	(80)	—	—	—
—	—	—	—	—	—	11	11
—	—	—	—	—	(6)	—	(6)
—	—	—	—	—	(6)	11	5
194	2,606	335	(85)	96	(79)	(1,173)	1,894

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
187	2,606	260	(85)	176	(52)	(1,204)	1,888
—	—	3	—	—	—	—	3
—	—	3	—	—	—	—	3
—	—	—	—	—	—	(179)	(179)
—	—	—	—	—	44	—	44
—	—	—	—	—	44	(179)	(135)
187	2,606	263	(85)	176	(8)	(1,383)	1,756

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
187	2,606	260	(85)	176	(52)	(1,204)	1,888
—	—	2	—	—	—	—	2
—	—	2	—	—	—	—	2
—	—	—	—	—	—	20	20
—	—	—	—	—	(21)	—	(21)
—	—	—	—	—	(21)	20	(1)
187	2,606	262	(85)	176	(73)	(1,184)	1,889

Notes to the interim financial statements

Unaudited for the six months ended 31 October 2012

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 2012 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 2012. 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 2012 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 11 December 2012.

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 2012 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 2012 and for the six months ended 31 October 2011 is unaudited.

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 2012.

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 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 2012	11	18,051,793	0.06
Period ended 31 October 2011	(179)	17,982,260	(1.00)
Year ended 30 April 2012	20	17,989,257	0.11

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 earnings/(loss) per share amount in pence
Period ended 31 October 2012	0.06
Period ended 31 October 2011	(1.00)
Year ended 30 April 2012	0.10

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

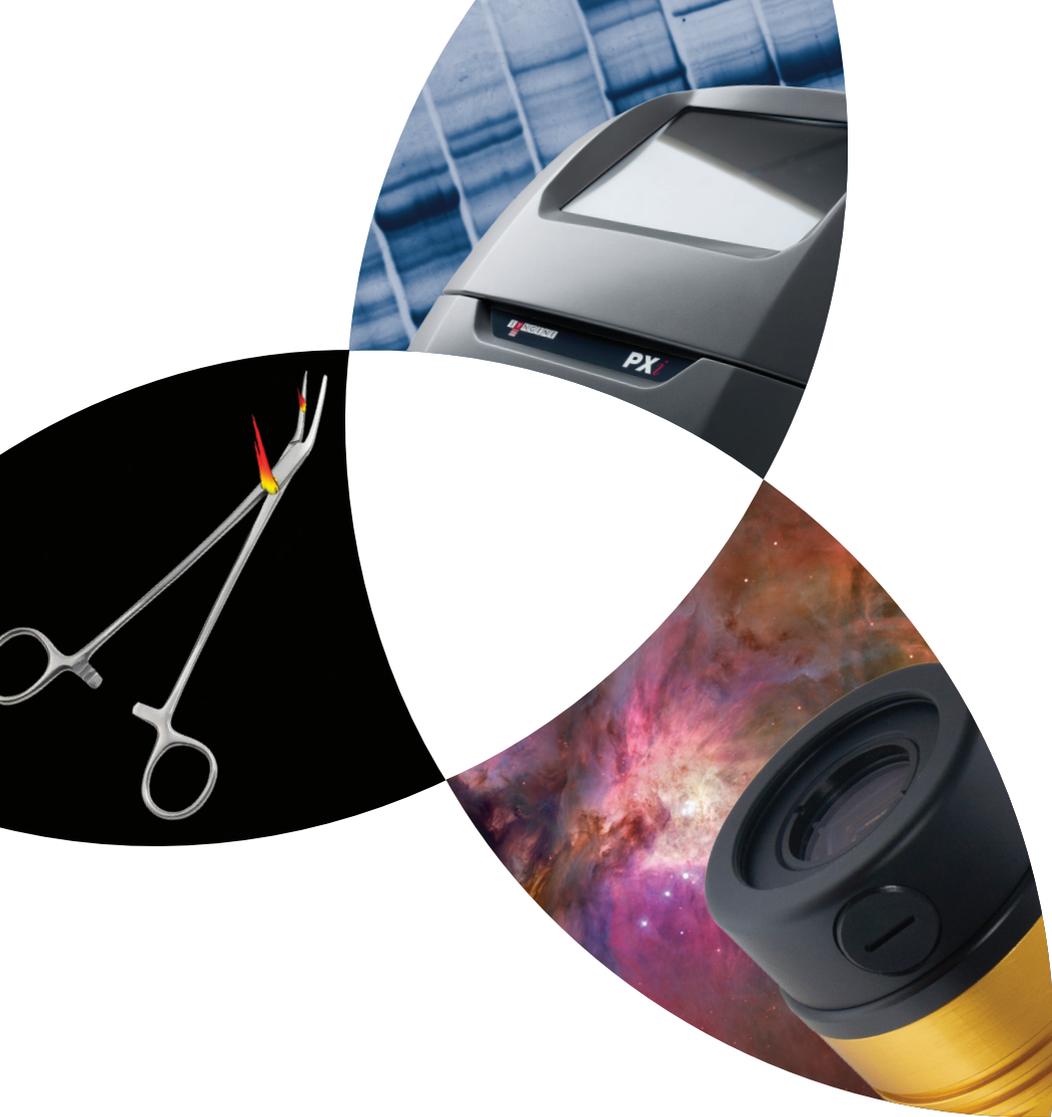
	31 October 2012	30 October 2011	30 April 2012
Weighted average number of ordinary shares used for basic earnings per share	18,051,793	17,982,260	17,989,257
Weighted average number of ordinary shares used as deferred consideration	—	—	666,500
Weighted average number of ordinary shares under option	191,672	—	370,927
Weighted average number of ordinary shares used for diluted earnings per share	18,243,465	17,982,260	19,026,684

Due to the loss generated in the period ended 31 October 2011, the dilutive loss per share for that period is the same as the undiluted loss per share.

3. Borrowings

	31 October 2012 £'000	31 October 2011 £'000	30 April 2012 £'000
Within one year:			
Bank finance	110	62	91
Finance leases	47	28	23
Loan stock	372	—	—
	529	90	114
After one year and within five years:			
Loan stock	—	364	368
Finance leases	23	52	40
	23	416	408
Over five years:			
Finance leases	—	8	15
Total borrowings	552	514	537

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 £110,000 of this facility.



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