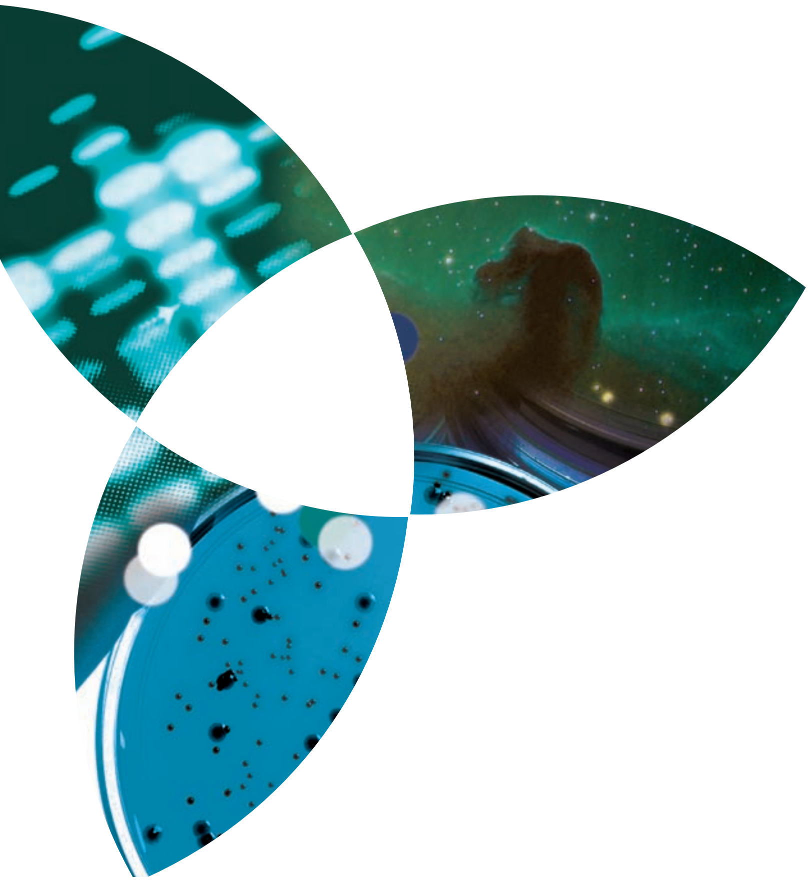
Interim Report and Accounts 2009
Scientific Digital Imaging plc



I am pleased to report that the Group showed a sales increase of 7.0% to £3.42m (2008: £3.19m) in the six months to 31 October 2009, despite the gloomy economic environment. Operating profit reduced to £75k (2008: £270k); the reduction was a consequence of currency exchange movements between the periods of £142k and increased investment in the Group's future. Basic earnings per share were 0.69p and fully diluted 0.60p (2008: 1.37p in both cases). The Group's net cash position decreased by £176k to £163k over the period. This reduction included a final consideration payment of £23k for the completion of the acquisition of Atik (formerly known as Artemis and Perseu), whilst working capital absorbed £96k.

Trading

Synoptics Limited ("Synoptics"), the Group's primary subsidiary, saw a small increase in its contribution margin despite a slight decrease in sales, whereas Atik demonstrated good improvements in both margin and turnover and provided a solid contribution to Group results.

Gross margin percentages improved by 3.5% to 57.8% (2008: 54.3%) as a result of product mix changes and the inclusion of Atik – a key supplier of Synoptics – within the Group, together with more advantageous exchange rates.

Administrative expenses increased to £1.87m (2008: £1.53m). A significant proportion of this rise is attributable to the administrative expenses of Atik and the ongoing listing costs of AIM; these were incurred over the full reporting period whereas the comparable 2008 figure only includes these expenses over the last part of that period. The Group also accelerated investment at Atik, increasing the number of employees from 3 to 7 since acquisition, in order to strengthen its sales channels and development capability. Costs denominated in US dollars also rose by approximately £60k as the result of changes in the exchange rate.

The Synoptics business in the US continued to grow. In the Syngene division, sales of higher-value systems have increased; this is a result of an investment in key developments in this area that deliver both greater performance and improved ease of use. The availability of stimulus funds has also provided some boost to sales in the US.

Atik has recently invested in a campaign to grow sales in the important US market, using the facilities of Synoptics Inc. in Maryland to streamline operations. It has begun work on its own image processing package, "Dawn", that will further establish Atik as a key company in the amateur astronomy market. "Dawn" uses the facilities of the image processing software toolkit developed over many years by Synoptics (a key part of its intellectual property) to provide facilities for the post-processing of astronomical images, presented via an attractive and innovative user interface.

The Synbiosis (microbiology) division of Synoptics launched a major new product, ProtoCOL 2, following a considerable investment in optical, mechanical and especially software technology. ProtoCOL 2 is a complete redesign of the previous successful colony counting instrument. Not only does the instrument provide high performance levels, but every effort has been dedicated to making it easy to use for both the end customer and the distributors that sell it. Market feedback has so far been very encouraging and sales are satisfactory.

Outlook

The benefits we anticipated from the consolidation of key suppliers into the Group have begun to be realised. Not only has this improved margins, but technical synergies have been achieved. The development of ProtoCOL 2 is expected to strengthen our standing in the microbiology market place. We anticipate that this innovative new product, along with improvements to the high-value products in the Syngene range and both new products and new sales channels at Atik, will result in further growth.

We are pleased that our sales have proved robust through turbulent economic periods. Our experiences suggest that the funding of long-term research and development in our key markets has so far remained insulated from the general fluctuations of the economy.

Overall, the Board believes the Group has strengthened its market position over recent periods and its new products and initiatives will contribute to a stronger second half. The Board now anticipates that market expectations for the full year will be exceeded. The Group continues to work on implementing its strategy to grow through acquisition and is actively seeking complementary businesses.

Harry Tee CBE, Chairman **25 January 2010**

Consolidated income statement

Unaudited for the six months ended 31 October 2009

Unaudited	Note	**6 months to 31 October 2009 £**	6 months to 31 October 2008 £	12 months to 30 April 2009 £
Continuing operations				
Revenue		**3,417,800**	3,192,820	6,753,869
Costs of sales		**(1,440,890)**	(1,458,007)	(2,946,222)
Gross Profit		**1,976,910**	1,734,813	3,807,647
AIM listing expenses		**-**	(41,958)	(344,956)
Currency exchange gains and losses		**(31,746)**	110,533	183,077
Administrative expenses		**(1,869,828)**	(1,533,562)	(3,539,519)
Operating profit		**75,336**	269,826	106,249
Financial income		**70**	5,458	4,677
Financial expenses		**(32,208)**	(20,064)	(54,137)
Profit before taxation		**43,198**	255,220	56,789
Income tax expense	1	**68,260**	(30,655)	(49,077)
Profit for the period		**111,458**	224,565	7,712
Earnings per share				
Basic	2	**0.69p**	1.37p	0.05p
Diluted		**0.60p**	1.37P	0.04p

Consolidated statement of comprehensive income

Unaudited for the six months ended 31 October 2009

Unaudited	**6 months to 31 October 2009 £**	6 months to 31 October 2008 £	12 months to 30 April 2009 £
Profit for the period	**111,458**	224,565	7,712
Other comprehensive income			
Exchange differences on translating foreign operations	**(46,683)**	(2,993)	17,993
Total comprehensive income for the period	**64,775**	221,572	25,705

Consolidated balance sheet

Unaudited at 31 October 2009

Unaudited	Note	**31 October 2009 £**	31 October 2008 £	30 April 2009 £
Assets				
Non-current assets				
Property, plant and equipment		**348,464**	285,789	334,379
Intangible assets		**740,308**	666,982	702,058
Deferred tax asset		**117,102**	22,959	22,959
		1,205,874	975,730	1,059,396
Current assets				
Inventories		**534,811**	528,317	508,710
Trade and other receivables		**1,254,086**	1,376,880	1,244,846
Cash and cash equivalents		**602,396**	872,569	756,686
		2,391,293	2,777,766	2,510,242
Total assets		**3,597,167**	3,753,496	3,569,638
Liabilities				
Current liabilities				
Trade and other payables		**1,081,121**	1,184,493	1,171,110
Provisions for warranty		**12,500**	12,500	12,500
Borrowings	3	**26,855**	30,945	30,148
Tax liabilities		**18,716**	1,546	11,188
		1,139,192	1,229,484	1,224,946
Non-current liabilities				
Borrowings	3	**412,729**	393,571	387,169
Deferred tax liability		**121,898**	98,225	111,101
		534,627	491,796	498,270
Total liabilities		**1,673,819**	1,721,280	1,723,216
Net assets		**1,923,348**	2,032,216	1,846,422
Equity				
Share capital		**180,158**	166,638	166,638
Merger reserve		**2,606,016**	2,606,016	2,606,016
Share premium account		**187,142**	38,327	38,327
Foreign exchange reserve		**(31,638)**	(5,941)	15,045
Own shares held by Employee Benefit Trust		**(85,383)**	(85,383)	(85,383)
Other reserves		**248,940**	389,051	399,124
Retained earnings		**(1,181,887)**	(1,076,492)	(1,293,345)
Total Equity		**1,923,348**	2,032,216	1,846,422

Consolidated statement of cash flows

Unaudited for the six months ended 31 October 2009

Unaudited	**6 months to 31 October 2009 £**	6 months to 31 October 2008 £	12 months to 30 April 2009 £
Operating activities			
Profit for the period	**111,458**	224,565	7,712
Depreciation and amortisation	**125,858**	90,692	195,522
Profit on sale of property, plant and equipment	**(2,811)**	-	(12,145)
Finance expense	**32,138**	14,606	49,460
Taxation expense recognised in the income statement	**(68,260)**	30,655	49,077
Increase in warranty provision	**-**	2,500	2,500
Foreign exchange loss	**(18,856)**	(8,595)	(4,918)
Employee share based payments	**9,776**	9,475	15,346
Operating cash flow before movement in working capital	**189,303**	363,898	302,554
(Increase)/Decrease in inventories	**(34,996)**	(40,480)	5,137
Changes in trade and other receivables	**(33,652)**	(3,264)	(68,205)
Changes in trade and other payables	**(27,541)**	(42,589)	157,506
Cash generated from operations	**93,114**	277,565	396,992
Interest paid	**(28,247)**	(18,698)	(48,704)
Income taxes paid	**(26,797)**	-	(7,730)
Cash generated from operating activities	**38,070**	258,867	340,558
Cash flows from investing activities			
Purchase of property plant and equipment	**(98,949)**	(83,296)	(237,915)
Investment in development	**(88,455)**	(81,746)	(148,466)
Proceeds from sale of property, plant and equipment	**33,427**	45,676	109,351
Purchase of acquisitions, net of cash acquired	**(23,313)**	(50,692)	(74,025)
Interest received	**70**	5,458	4,600
Net cash used in investing activities	**(177,220)**	(164,600)	(346,455)
Cash flows from financing activities			
Capital element of finance leases	**(17,515)**	(15,066)	(30,785)
Issues of shares and warrants	**2,375**	41,659	41,659
Issue of loan stock	**-**	379,000	379,000
Net cash used in financing activities	**(15,140)**	405,593	389,874
Net changes in cash and cash equivalents	**(154,290)**	499,860	383,977
Cash and cash equivalents, beginning of period	**756,686**	372,709	372,709
Cash and cash equivalents, end of period	**602,396**	872,569	756,686

Consolidated statement of changes in equity

Unaudited as at 31 October 2009

	Share Capital £	Merger Reserve £	Share premium £	Own shares held by EBT £	Other Reserves £	Foreign exchange £	Retained Earnings £	Total £
Balance at 1 May 2009	166,638	2,606,016	38,327	(85,383)	399,124	15,045	(1,293,345)	1,846,422
Share issued as deferred payment	13,330	-	146,630	-	(159,960)	-	-	-
Share options exercised	190	-	2,185	-	-	-	-	2,375
Share based payments	-	-	-	-	9,776	-	-	9,776
Transactions with owners	**13,520**	**-**	**148,815**	**-**	**(150,184)**	**-**	**-**	**12,151**
Profit for the period	-	-	-	-	-	-	111,458	111,458
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	(46,683)	-	(46,683)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(46,683)**	**111,458**	**64,775**
Balance at 31 October 2009	**180,158**	**2,606,016**	**187,142**	**(85,383)**	**248,940**	**(31,638)**	**(1,181,887)**	**1,923,348**

	Share Capital £	Merger Reserve £	Share premium £	Own shares held by EBT £	Other Reserves £	Foreign exchange £	Retained Earnings £	Total £
Balance at 1 May 2008	163,306	2,606,016	-	(250,147)	22,872	(2,948)	(1,136,293)	1,402,806
Deferred tax on options	-	-	-	-	(4,202)	-	-	(4,202)
Employee Benefit Trust adjustment	-	-	-	164,764	-	-	(164,764)	-
Deferred consideration on acquisitions	-	-	-	-	319,920	-	-	319,920
Share options exercised	3,332	-	38,327	-	-	-	-	41,659
Share based payments	-	-	-	-	9,475	-	-	9,475
Equity element of loan stock	-	-	-	-	40,986	-	-	40,986
Transactions with owners	**3,332**		**38,327**	**164,764**	**366,179**	**-**	**(164,764)**	**407,838**
Profit for the period	-	-	-	-	-	-	224,565	224,565
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	(2,993)	-	(2,993)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(2,993)**	**224,565**	**221,572**
Balance at 31 October 2008	**166,638**	**2,606,016**	**38,327**	**(85,383)**	**389,051**	**(5,941)**	**(1,076,492)**	**2,032,216**

	Share Capital £	Merger Reserve £	Share premium £	Own shares held by EBT £	Other Reserves £	Foreign exchange £	Retained Earnings £	Total £
Balance at 1 May 2008	163,306	2,606,016	-	(250,147)	22,872	(2,948)	(1,136,293)	1,402,806
Deferred tax on options	-	-	-	-	(4,203)	-	-	(4,203)
Employee Benefit Trust adjustment	-	-	-	164,764	-	-	(164,764)	-
Deferred consideration on acquisitions	-	-	-	-	319,920	-	-	319,920
Equity element of loan stock	-	-	-	-	40,986	-	-	40,986
Share options exercised	3,332	-	38,327	-	-	-	-	41,659
Share based payments	-	-	-	-	19,549	-	-	19,549
Transactions with owners	**3,332**	**-**	**38,327**	**164,764**	**376,252**	**-**	**(164,764)**	**417,911**
Profit for the period	-	-	-	-	-	-	7,712	7,712
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	17,993	-	17,993
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**17,993**	**7,712**	**25,705**
Balance at 30 April 2009	**166,638**	**2,606,016**	**38,327**	**(85,383)**	**399,124**	**15,045**	**(1,293,345)**	**1,846,422**

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

REPORTING ENTITY

Scientific Digital Imaging plc, 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 2009 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 2009. These interim financial statements have been prepared in accordance with the accounting policies expected to be followed for the year ending 30 April 2010, which are based on the recognition and measurement principles of IFRS as adopted by the European Union. The financial information for the year ended 30 April 2009 is based upon the audited statutory accounts for that year.

The financial statements have 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 22nd January 2010.

The financial information set out in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The figures for the year ended 30 April 2009 have been extracted from the IFRS 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 is unqualified. The financial information for the six months to 31 October 2009 and for the six months to 31 October 2008 is unaudited.

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2009, except for the adoption of IAS 1 Presentation of Financial Statements (revised 2007) and IFRS 8 Operating Segments, and are those expected to be applied for the year ended 30 April 2010.

The adoption of IAS 1 (revised 2007) does not affect the financial position or the profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. IAS 1 (revised 2007) affects the presentation of owner changes in equity.

The adoption of IFRS 8 has not changed the segments which are disclosed. Under IFRS 8 the accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the chief operating decision maker.

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

1. TAXATION

	6 months to 31 October 2009 £	6 months to 31 October 2008 £	12 months to 30 April 2009 £
Current tax expenses	**15,086**	680	6,660
Deferred tax (income)/expenses	**(83,346)**	29,975	42,417
Income tax (credit)/charge	**(68,260)**	30,655	49,077

The income tax expense recognised in the period is less than the effective rate of tax for the group of 28% due to the availability of an additional deduction in the period for research and development and the impact of initial recognition of tax losses brought forward across the group.

2. EARNINGS PER SHARE

The calculation of the basic 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, excluding shares held by the Synoptics Employee Benefit Trust. All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable to shareholders	Weighted average number of shares	Basic earnings per share amount in pence
Period ended 31 October 2009	**111,458**	**16,073,650**	**0.69**
Period ended 31 October 2008	224,565	16,441,655	1.37
Year ended 30 April 2009	7,712	15,841,221	0.05

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 earnings per share amount in pence
Period ended 31 October 2009	**0.60**
Period ended 31 October 2008	1.37
Year ended 30 April 2009	0.04

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

	31 October 2009	30 April 2009
Weighted average number of ordinary shares used for basic earnings per share	**16,073,650**	15,841,221
Weighted average number of shares held by Synoptics Employee Benefit Trust	**711,528**	711,528
Weighted average number of ordinary shares used as deferred consideration	**1,333,000**	1,333,333
Weighted average number of ordinary shares under option	**451,567**	625,593
Weighted average number of ordinary shares used for diluted earnings per share	**18,569,745**	18,511,675

As at the 31 October 2009 & 2008 the company had outstanding exercisable share options and warrants. Under IAS 33 the dilutive earnings per share is calculated assuming that all such instruments are exercised in full. In October 2008 the exercise price for the options and warrants was the same or above the average market share price for the company so the share options and warrants were considered to be non dilutive.

The conversion of all loan stock would result in an increase in average weighted shares of 379,000. There would be a corresponding increase in adjusted earnings due to the interest accruing thereon. The net effect is an enhancement of earnings per share.

3. BORROWINGS

	31 October 2009 £	31 October 2008 £	30 April 2009 £
Within one year			
Finance leases	**26,855**	30,945	30,148
After one year and within two years			
Loan stock	**347,577**	339,380	343,478
Other borrowings	**65,152**	54,191	43,691
	412,729	393,571	387,169
Total borrowings	**439,584**	424,516	417,317

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