





SDI plc



Scientific Digital Imaging plc (“SDI”) designs and manufactures scientific and technology products for use by the life science, healthcare, astronomy, consumer manufacturing and art conservation markets through Synoptics brands (Syngene, Synbiosis and Synoptics Health), the Artemis CCD company brand (Atik Cameras), the Opus Instruments brand (Osiris), Sentek and since the recent acquisition, Astles Control Systems.

SDI intends to grow through its own technology advancements, as well as through pursuing strategic, complementary acquisitions.



For more information, visit:

www.scientificdigitalimaging.com



Interim highlights

- **Revenue increased by 33% to £4,902,000 (2015: £3,671,000)**
- **Profit before taxation for the period increased to £410,000 (2015: £13,000)**
- **Adjusted profit before taxation* for the period increased to £446,000 (2015: £189,000)**
- **Gross margin increased to 63.6% (2015: 58.0%)**
- **Sentek continued to contribute strong sales growth and profitability**
- **Post period event - acquisition of a manufacturer and supplier of chemical dosing and control systems, Astles Control Systems Limited on 12 January 2017 for an initial consideration of £3.446 million. At the same time SDI announced an equity fundraising of £3.1 million before expenses.**

* Before costs of reorganisation, acquisition costs, amortisation of acquired intangibles and share based payments

Overview

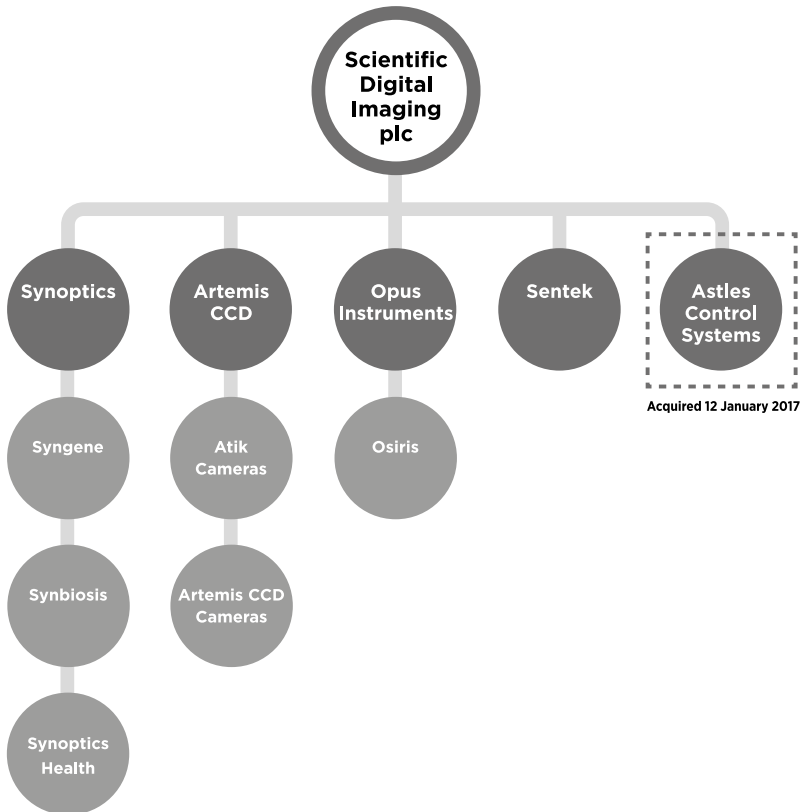
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SDI at a glance

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



SDI operates through four main brands:



Synoptics

Synoptics designs and manufactures innovative systems for use in the life science and clinical markets.

The Company exploits digital imaging technologies for a range of applications and offers its products through three brands:

Syngene - manufactures equipment for life scientists to image and analyse gels and blots used for DNA and protein analysis.

Synbiosis - produces equipment for microbiologists to automate microbial colony counting and inhibition zone analysis.

Synoptics Health - focuses on imaging proteins on surgical instruments in the hospital and clinical environments using the ProReveal system.



Artemis CCD

Artemis designs and manufactures sensitive cameras for deep-sky astronomical and life science imaging applications under the Atik brand.



Opus Instruments

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



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 monitoring food, beverage and biologics-based pharmaceuticals manufacturing, as well as personal care and leisure applications.

Chairman's statement

Overview

In the six-month period ended 31 October 2016, SDI has continued to successfully increase the profitability of the business.

Total revenue for the period increased by over 33% to £4,902,000 in the six months to 31 October 2016 (an increase of £1,231,000, relative to revenue of £3,671,000 for the six months to 31 October 2015). This increase predominantly came from Atik, Opus Instruments and Sentek with the latter becoming an important stream of revenue and profitability since being acquired in October 2015 fulfilling the Board's predicted positive impact on Group trading.

To ensure that Synoptics continues to thrive, we have appointed Dr Brian Stammers, an experienced life science expert, as CEO for Synoptics. Having worked previously with SDI through the UK Trade & Investment (UKTI) to improve the commercial success of the Synbiosis Division of Synoptics, he is reshaping the strategic direction of the Synoptics business and driving the international sales and marketing effort.

Artemis CCD also continues to report increased sales and profitability through direct and OEM camera sales.

Basic earnings per share was 0.64p (2015: 0.04p) and fully diluted earnings per share was 0.63p (2015: 0.04p).

As at 31 October 2016, the Group has net cash of £1,198,000 which will be used to advance SDI's own technologies as well as the acquisition of new companies with complementary technologies and it is hoped further announcements will be made in 2017 that will continue to support the expansion of the Company.

Product portfolio

Syngene, which remains the largest of the Synoptics brands, has had continued investment in order to improve software and hardware in several of its products and expects to launch new systems in 2017.

During the period, Syngene has introduced an updated version of its GeneSys image capture software. This can now acquire stain-free protein gel images and will help update the G:BOX and NuGenius systems to match the capabilities of Syngene's major competitor. North America and Asia-Pac regions remain major target markets for Syngene growth. To remain competitive in these markets a new version of the high-end G:BOX imager is being introduced in early 2017.

Synbiosis has broadened its portfolio to include additional automation for the food and clinical microbiology market. A new Minimum Inhibitory Concentration (MIC) point software module to measure antibiotic resistance has been released, which further extends the application of the ProtoCOL 3 and ChromoZona in clinical markets. This has resulted in sales growth ahead of budget. As a result of the strong worldwide drive to develop and test new antibiotics in response to increasing concerns about antimicrobial resistance, Synbiosis believes sales of its automation for this sector will continue to grow in 2017.

Synoptics Health has continued to sell ProReveal, a fluorescence test to detect proteins on re-usable surgical instruments in North American hospitals. These hospitals are using the ProReveal system to optimise the performance of their washer-disinfection process. The uptake of the test has been slower by the NHS in the UK.

However, since the UK Department of Health (DoH) published additional new guidelines in July 2016 which provide the limit of acceptable protein contamination on re-usable surgical instruments (<https://www.gov.uk/government/publications/management-and-decontamination-of-surgical-instruments-used-in-acute-care>), there has been increased interest in ProReveal. Currently, it is the only available CE-marked instrument capable of measuring less than 50ng of protein and thus meeting DoH requirements.

During the period, Artemis CCD delivered better than expected sales and profitability. The business continues to develop market-led new products and launched the Atik 16200 camera in 2016. This high-specification CCD camera, which can be fitted to a range of telescopes, is proving popular with astronomers and there are already forward orders for the Atik 16200 which will be delivered in 2017. We continue to invest in product focused R&D and plan to bring further new products and developments to market in 2017.

The first six months have seen a significant increase in Atik sales to OEM customers. These mainly operate in the life science area where Atik cameras are used to detect end points including fluorescence and luminescence in a range of analysis techniques. Atik is able to work closely with such OEM customers bringing their experience and knowledge of low light detection to help win design-ins. We are expanding our production team in Lisbon to keep up with demand from these repeat orders and remain committed to controlling production costs. The Board expects OEM sales will continue to make a positive contribution to trading.

Opus Instruments' Osiris camera sales continue to be on budget, supported by additional sales of the Macro Lens and Illumination Kit accessories. With servicing of existing cameras and new models now being developed at our Norwich site, the Board believes the Osiris camera can be produced more cost-effectively over time. Opus is looking at ways to develop the product portfolio, including the possibility of enhanced performance versions of the existing Osiris.

Sentek reported strong growth in the first half of the year for its single-use electrode for use in bioprocessing applications. Automated systems in pharmaceuticals and biotech companies are becoming more widely used, and Sentek expects revenues from the single-use electrodes required by these systems to continue to grow. The company has been brought into the Group with no disruption and we have invested in a new website that is reaping rewards through the generation of new prospects (<http://www.sentek.co.uk/>).

Acquisitions

SDI acquired Astles Control Systems Limited on 12 January 2017. The company, a manufacturer and supplier of chemical dosing and control systems, based in the UK, has growing revenues (five-year revenue CAGR of 17%) and is a profitable business (five-year PBT CAGR of 22%), with 70-80% of sales exported globally. The maximum consideration of £4.8m payable will be financed by the £3.1m placing, the issue of £100,000 in SDI shares to the vendor, £850,000 of existing cash as well as drawing down £750,000 on a new five-year term loan.

SDI is actively seeking further profitable scientific and technology acquisition targets in the £1m to £10m price range to continue its buy and build strategy.

Outlook

SDI now has a growing portfolio of profitable businesses which are providing the Group with increased profitability and positive cash flows. The Board expects the Company to continue to make good progress over the remainder of the financial year as it continues to pursue an organic and acquisitive growth strategy.

Ken Ford,

Chairman

23 January 2017

* CAGR = compound annual growth rate

Consolidated income statement

Unaudited for the six months ended 31 October 2016

	Note	6 months to 31 October 2016 Unaudited £'000	6 months to 31 October 2015 Unaudited £'000	12 months to 30 April 2016 Audited £'000
Revenue		4,902	3,671	8,473
Costs of sales		(1,784)	(1,541)	(3,298)
Gross profit		3,118	2,130	5,175
Administrative expenses		(2,672)	(1,941)	(4,437)
Adjusted operating profit		446	189	738
Reorganisation costs		(4)	(17)	(17)
Share based payments		(1)	(4)	(7)
Acquisition and fundraising costs		(6)	(139)	(178)
Operating profit		435	29	536
Net financing expense		(25)	(16)	(40)
Profit/(loss) before taxation		410	13	496
Income tax credit		3	-	75
Profit for the period		413	13	571
Earnings per share				
Basic earnings per share	2	0.64p	0.04p	1.17p
Diluted earnings per share		0.63p	0.04p	1.17p

Consolidated statement of comprehensive income

Unaudited for the six months ended 31 October 2016

	6 months to 31 October 2016 Unaudited £'000	6 months to 31 October 2015 Unaudited £'000	12 months to 30 April 2016 Audited £'000
Profit for the period	413	13	571
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations	218	-	82
Total comprehensive profit for the period	631	13	653

Consolidated balance sheet

Unaudited at 31 October 2016

	Note	31 October 2016 Unaudited £'000	31 October 2015 Unaudited £'000	30 April 2016 Audited £'000
Assets				
Non-current assets				
Property, plant and equipment		422	367	382
Intangible assets		4,303	4,103	4,309
Deferred tax asset		76	105	67
		4,801	4,575	4,758
Current assets				
Inventories		1,766	1,159	1,378
Trade and other receivables		1,573	1,244	1,496
Current tax assets		-	-	132
Cash and cash equivalents		1,773	365	1,708
		5,112	2,768	4,714
Total assets		9,913	7,343	9,472
Liabilities				
Current liabilities				
Overdraft		127	108	128
Trade and other payables		1,442	1,432	1,447
Provisions for warranty		21	19	18
Borrowings	3	282	1,343	273
Current tax payable		-	-	151
		1,872	2,902	2,017
Non-current liabilities				
Borrowings	3	166	372	314
Trade and other payables		107	73	-
Deferred tax liability		373	174	377
		646	619	691
Total liabilities		2,518	3,521	2,708
Net assets		7,395	3,822	6,764
Equity				
Share capital		642	329	642
Merger reserve		3,030	3,030	3,030
Share premium account		3,457	1,472	3,457
Foreign exchange reserve		231	(72)	13
Own shares held by Employee Benefit Trust		(85)	(85)	(85)
Other reserves		81	80	81
Retained earnings		39	(932)	(374)
Total equity		7,395	3,822	6,764

Consolidated statement of cash flows

Unaudited for the six months ended 31 October 2016

	6 months to 31 October 2016 Unaudited £'000	6 months to 31 October 2015 Unaudited £'000	12 months to 30 April 2016 Audited £'000
Operating activities			
Profit for the period	413	13	571
Depreciation and amortisation	354	256	663
Finance costs and income	25	16	40
Taxation expense in the income statement	-	-	(75)
Increase in provisions	3	1	-
Employee share based payments	-	4	8
Operating cash flow before movement in working capital			
	795	290	1,207
(Increase)/decrease in inventories	(321)	(177)	(166)
Changes in trade and other receivables	133	340	421
Changes in trade and other payables	67	(48)	(164)
Cash generated from operations	674	405	1,298
Interest paid	(25)	(16)	(40)
Income taxes (received)/paid	(151)	5	5
Cash generated from operating activities	498	394	1,263
Cash flows from investing activities			
Capital expenditure on fixed assets	(166)	(97)	(209)
Expenditure on development and other intangibles	(196)	(137)	(511)
Acquisition of subsidiaries, net of cash	-	(2,111)	(2,360)
Proceeds from sale of property, plant and equipment	-	40	65
Net cash used in investing activities	(362)	(2,305)	(3,015)
Cash flows from financing activities			
Movement in finance leases	(5)	(13)	(21)
Share issue costs	-	(6)	-
Proceeds from share issue	-	-	2,292
Share based payment reserve	-	7	-
Repayment of borrowings	-	(50)	(189)
Other loans	(50)	100	-
Proceeds from bank borrowings	(85)	1,253	500
Net cash from/(used in) financing activities	(140)	1,291	2,582
Net (decrease)/increase in cash and cash equivalents	(4)	(620)	830
Cash and cash equivalents, beginning of period	1,708	876	876
Foreign currency movements on cash balances	69	1	2
Cash and cash equivalents, end of period	1,773	257	1,708

Consolidated statement of changes in equity

Unaudited for the six months ended 31 October 2016

6 months to 31 October 2016 - 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 2016	642	3,030	3,457	(85)	81	13	(374)	6,764
Share based payments	-	-	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-	-	-
Fundraising costs	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	413	413
Foreign exchange on consolidation of subsidiary	-	-	-	-	-	218	-	218
Total comprehensive income for the period	-	-	-	-	-	218	413	631
Balance at 31 October 2016	642	3,030	3,457	(85)	81	231	39	7,395

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

12 months to 30 April 2016 - 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 2015	329	3,030	1,478	(85)	73	(69)	(945)	3,811
Shares issued	313	-	1,979	-	-	-	-	2,292
Share based payments	-	-	-	-	8	-	-	8
Transactions with owners	313	-	1,979	-	81	-	-	2,300
Profit for the year	-	-	-	-	-	-	571	571
Foreign exchange on consolidation of subsidiaries	-	-	-	-	-	82	-	82
Total comprehensive income	-	-	-	-	-	82	571	653
Balance at 30 April 2016	642	3,030	3,457	(85)	81	13	(374)	6,764

Notes to the interim financial statements

Unaudited for the six months ended 31 October 2016

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 2016 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 2016. 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 2016 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 23 January 2017. 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 2016 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 2016 and for the six months ended 31 October 2015 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 2016. 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 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 profit per share calculations relate to continuing operations of the Group.

	Profit attributable to shareholders £'000	Weighted average number of shares	Basic earnings per share amount in pence
Period ended 31 October 2016	413	64,224,808	0.64
Period ended 31 October 2015	13	32,912,308	0.04
Year ended 30 April 2016	571	48,697,240	1.17

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 per share amount in pence
Period ended 31 October 2016	0.63
Period ended 31 October 2015	0.4
Year ended 30 April 2016	1.17

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

	31 October 2016	31 October 2015	30 April 2016
Weighted average number of ordinary shares used for basic earnings per share	64,224,808	32,912,308	48,697,240
Weighted average number of ordinary shares under option	1,033,000	793,000	885,877
Weighted average number of ordinary shares used for diluted earnings per share	65,257,808	33,705,308	49,583,117

At 31 October 2016 206,000 share options are dilutive. At 31 October 2015 and 30 April 2016 all share options are non-dilutive. Share options could potentially dilute basic earnings per share in the future.

3. Borrowings

	31 October 2016 £'000	31 October 2015 £'000	30 April 2016 £'000
Within one year:			
Bank finance	264	1,167	378
Other loan	-	150	-
Finance leases	18	26	23
	282	1,343	401
After one year and within five years:			
Bank finance	166	367	264
Other loan	-	-	50
Finance leases	-	5	-
	166	372	314
Total borrowings	448	1,715	715

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 £126,902 of this facility. SDI has subsequently given NatWest notice to terminate the facility.

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