SCIENTIFIC DIGITAL IMAGING PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2014

Company registration number:	6385396
Registered office:	Beacon House Nuffield Road Cambridge CB4 1TF
Directors:	E K Ford (Chairman) J Gibbs (Deputy Chairman) Dr A J B Simon (Non Executive Director) M Creedon (Chief Executive Officer)
Company Secretary:	M Creedon
Bankers:	National Westminster Bank Plc 35-37 Fitzroy Street Cambridge CB1 1EU
Solicitors:	Mills & Reeve Botanic House 100 Hills Road Cambridge CB2 1PH
Auditor:	Grant Thornton UK LLP Registered Auditor Chartered Accountants 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
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Chairman's Statement

Overview

During this period to April 2014 in competitive global trading conditions, Scientific Digital Imaging Plc ("SDI") reported a profit before acquisition costs, reorganisation costs, currency losses and share based payments. Following a loss in the first half the Group delivered a profit in the second half achieved through the implementation of on-going cost efficiencies and the Group has continued to implement cost savings in the new financial year.

With the acquisition of Opus Instruments and advances in SDI's in-house product development programmes, we now have several newly launched and attractively priced automated systems in our product range for which demand is increasing and the Board is optimistic that SDI is positioned for growth.

Financial results

Revenue for the year ended 30 April 2014 was £7.0m (2013: £7.7m). This has resulted in an operating profit for the year of £123k (2013: £300k) before costs of acquiring Opus Instruments, costs of reorganisation, currency losses and share based payments. Basic loss per share was 0.16p and diluted loss per share was 0.16p.

The acquisition of Opus Instruments was completed towards the end of SDI's financial period and accordingly Opus trading will first have a full year effect in the year to April 2015. The Synoptics Health Division has made further sales of its ProReveal product, with 26 demonstration units sold around the world to date. The Division continues to target the key hospital washroom market sector and has had success with ProReveal in the decontamination products market sector re-engineering the test with a view to further adoption and SDI expects to make continued progress with ProReveal in the financial year to 30 April 2015.

Strategy

In the financial year SDI has focused on improving the underlying business. In the year, the Group acquired Opus Instruments, which develops, manufactures and sells an infrared imaging system designed specifically for art conservators to capture high-resolution images behind the painting. The company brings profits and technology that can be used within our group of digital imaging companies.

SDI continues to assess new businesses with complementary imaging product portfolios. SDI will also continue to invest in its current operations to take advantage of the under-exploited rapid microbiology testing and healthcare sectors where SDI's new products are currently well positioned for growth in the US markets.

Staff

On behalf of the Board, I would like to thank our staff for their efforts during the year.

Current Trading and Outlook

In the financial year to the end of April 2014, SDI recommenced its acquisition strategy and continued to make process improvements to maintain the Group's skill base and output capability. During the year, the Synoptics group invested in quality systems and achieved ISO 9001 certification. This demonstrates the Group's commitment to achieving greater consistency and quality of its product portfolio and service offerings. The Group believes this will improve efficiency and productivity, as well as allow Synoptics' companies to submit applications for a wider number of tenders.

This will stand SDI in good stead in the coming year in North America where there is renewed awareness of our Synbiosis products as well as new interest in the Synoptics Health products too. To capitalise on this, Synbiosis and Synoptics Health Divisions have both appointed North American distributors that are actively marketing these portfolios via their sales forces and promotional campaigns. We will continue to promote our products globally but will focus on developing our North American market for Synoptics Health and Synbiosis unique ProReveal and ProtoCOL 3 technologies.

Opus Instruments has now achieved its first sales under SDI's ownership and the Board believes that this will form an important part of SDI's future growth.

Atik, our camera brand, has continued to grow its share of the astronomy market and continues to increase revenues for the fourth successive year. The new revenue stream, OEM sales, continues to expand its product portfolio with sales increasing year on year.

The Board expects SDI to make steady progress over the coming financial year as we continue to pursue our strategy of organic and acquisitive growth. We believe our growth in Asia will continue, driven by their need for excellent automation in the life sciences sector. With this and the renewed interest in our products in North America, particularly in the rapid microbiology testing and healthcare sectors, the Board has a positive view for success in the current financial year.

Ken Ford
Chairman
8 August 2014

Chief Executive’s Operating Report

SDI designs and manufactures digital imaging technology for use by the scientific community, through its Synoptics brands (Syngene, Synoptics Health, Synbiosis, and Syncroscopy), the Artemis CCD Company brands (Atik Cameras and Artemis CCD Cameras) and the Opus Instrument brand (Osiris)

Synoptics

Synoptics designs and manufactures scientific instruments based on digital imaging, for the life science research, microbiology, healthcare and microscopy markets. The Divisions offer its products under marketing brands including G:BOX, PXi, ProtoCOL, AutoMontage and ProReveal, each targeting a different sector of these markets.

Syngene

Syngene remains the largest Synoptics’ Division and accounted in the period for 80 percent of the Synoptics’ turnover. The Division provides systems and software for visualising and analysing gels and blots used by scientists studying molecular biology and protein expression. Almost all research in biological sciences requires an understanding of molecular processes involving DNA, RNA and proteins, so the use of gel electrophoresis and Western blotting still underpins the work of many laboratories in this sector.

The market for image analysers is mature, with many companies offering this type of equipment. Syngene recognises that as well as being competitively priced it has to differentiate itself on service, which is why Syngene invested in gaining ISO 9001 certification this year and continues to provide good technical support for its products. In February 2014, VWR one of Syngene’s biggest distributors in Europe, recognised Syngene with the best life science support award showing that in Europe, Syngene’s customer and technical support is a competitive advantage.

As many companies are producing inexpensive imagers in this sector, Syngene has experienced pricing competition because research budgets continue to be restricted. This issue is being addressed by Syngene with the introduction of a new low cost imager, the T:Genius. Currently, this is the only commercial available imaging system where the software controlling it can be accessed remotely by tablet, allowing scientists to share results with peers in other labs anywhere in the world. This new imager was launched at the major international trade show, Analytica in Germany, where it received positive feedback from prospective customers and Syngene distributors. Syngene is expecting interest in this unique system to convert to sales in Europe and the US in the next quarter.

To ensure Syngene’s higher end G:BOX imaging systems continue to be competitively priced and generate good gross margins, the product portfolio has been re-engineered to include new cameras. The result is that at ArabLab in 2014, Syngene introduced the new G:BOX Chemi XRQ gel doc system. This mid-range unit performs well with different gel and Western blot types and is winning sales in head to head comparisons against a major competitor’s new imaging system. This imager is currently finding favour in European laboratories, where it is being sold to replace older Syngene units or competitor systems and Syngene expects good sales growth for this product in 2014 and 2015.

Two further high end imaging systems, the G:BOX Chemi XX6 and XX9 imagers have also been introduced in 2014 as a result of portfolio redevelopment. These units can image more complex 1D and 2D gels, as well as different blot types. They are popular in core facilities and are being purchased by prestigious research institutes with larger research budgets, such as the Karolinska Institute in Sweden.

With the combination of good North America and European sales and support teams now in place, competitively priced new imaging systems and the ability to tender for more contracts, Syngene believes the division is better placed to achieve its sales targets in the forthcoming year.

Synoptics Health

The Synoptics Health Division markets and supplies ProReveal, an automated viewer and fluorescence-based spray test to detect microgram amounts of protein remaining on surgical instruments after the decontamination process. ProReveal is the only commercial test on the market which complies with new recommendations for preventing iatrogenic variant Creutzfeldt - Jakob disease (vCJD) infections.

ProReveal is a disruptive technology and is unlike any other test for detecting proteins on surgical instruments because it utilises much more sensitive fluorescence instead of colorimetric detection. It offers a highly sensitive alternative to swabbing techniques and tests the whole instrument for protein, rather than just a small, swabbed area. Taking less than 5 minutes to carry out, ProReveal generates results as a visual display of the presence (or absence) of any protein and these results can be documented and archived as proof of process cleanliness. Promoting this alternative detection method has required a re-education process in Sterile Services Departments (SSDs) in hospitals, where the system is most applicable and uptake of the technology by SSDs has been slower than anticipated.

To date, 26 demonstration units have been sold globally. In the UK, Synoptics Health's UK distributor has installed a further two ProReveal systems during the period, one in Serchem, a major washroom detergent manufacturer, and a second to an ultrasonic bath decontamination supplier. Both suppliers are using the ProReveal as a validation tool for their decontamination products and processes and this is a market sector, which although smaller than the hospital washroom market, is embracing this new technology.

To capitalise on this untapped sector of decontamination product suppliers, Synoptics Health is actively marketing ProReveal to these manufacturers and the system is currently being trialled by a major international washer manufacturer for inclusion in every washer suite they install. Additionally, Synoptics Health has redesigned the ProReveal viewer software to include an analytics module and is also introducing a test diagnostic, called the ProReveal Tag. The software will provide information on the performance of different operatives, tray positions in washers, as well as different washers and reagents used in the decontamination process. The tag which is a stainless steel slide coated with a known amount of protein, will indicate how effectively the decontamination process is performing. Synoptics Health believes developing ProReveal to appeal to this sector will lead to further sales growth in the coming year and could encourage AEDs (Authorising Engineers Decontamination) in hospital research departments (a large untapped market) to review the technology too.

Synoptics Health continues to have a first mover advantage with ProReveal in the healthcare market sector internationally. To exploit this, Synoptics Health has appointed a network of six new distributors throughout Europe in the period. Since there has been interest in the product in North America, where there have been recent issues in 2013 with vCJD contamination via surgical instruments, Synoptics Health in 2014 partnered with a US distributor. The distributor has extensive experience of surgical instrument decontamination in US SSDs and a network of customers there that are keen to see the technology. Ultra Clean is actively promoting ProReveal at major trade shows and the system will be presented in a speaker session by an infection control expert at the Canadian Association of Medical Device Reprocessing (CAMDR) in October 2014.

The re-engineering of ProReveal to position the test as a validation diagnostic in combination with a stronger US and European presence will lead to better sector penetration and further sales of ProReveal in 2014 and into 2015.

Synbiosis

The Synbiosis Division provides systems for microbiologists to automatically count and measure microbial colonies with its ProtoCOL 3 and aCOLyte 3 brands. These instruments are used for microbiological testing in the food, water and pharmaceutical markets and benefit users by reducing labour costs, providing more reproducible results, and automatic recording data for audit purposes, an area which is becoming increasingly important as microbiological testing becomes more regulated.

In 2014, the ProtoCOL 3 automated high end colony counter with the addition of the Synstats statistical analysis software, continued to be popular. This software, which is compatible with new European Pharmacopoeia/US Pharmacopeia regulations allows microbiologists to rapidly obtain potency data from their zone measurements or colony count results and is making the ProtoCOL 3 system appealing to contract research, biotech and pharmaceutical companies that are testing or developing antibiotics and vaccines. To further promote the use of the SynStats software, Synbiosis has launched a training video via social media channels and this is being well received with existing and potential ProtoCOL 3 customers.

To capitalise on the application of ProtoCOL 3 in the fast growing vaccine and antibiotic development space, which is active in the US, Synbiosis has appointed Microbiology International, a well-established distributor of microbiology automation products as its North American distributor in 2014. MIL is actively promoting the ProtoCOL 3 under its EZ-Count brand via an online campaign and sales network. Synbiosis expects to see the results of this increased activity with sales growth in this territory throughout 2014 and into 2015.

In 2014, after the period Synbiosis entered the lucrative market of rapid microbiology testing with the launch of new software for the ProtoCOL 3 at the major US trade show, the American Society of Microbiology (ASM) annual meeting. The software used exclusively with the ProtoCOL 3 will automatically recognise and identify different types of microorganisms based on colony colour and was developed in collaboration with CHROMAgar, one of the world's largest suppliers of chromogenic media.

This product was well received at the ASM meeting because no other commercial colony counter currently in the microbiology market can both count and identify microorganisms simultaneously. Since the identification software provides ProtoCOL 3 with another competitive advantage, Synbiosis expect good sales growth of the ProtoCOL 3 especially in the large food, beverage and clinical sectors, where ProtoCOL 3 previously could not offer a rapid microbial identification product.

Syncroscopy

The Syncroscopy Division provides digital imaging software to microscope users. Its main product, AutoMontage is a software package that allows customers to overcome the severely limited depth of field in an optical microscope. In 2014, Syncroscopy introduced a new product for in-focus 3D microscope imaging, which can be attached to any microscope with a camera port. The system consists of a Scopepad 500, a touch screen microscope tablet with integrated camera and the Montage Pad App, derived from the AutoMontage software. Since the system offers an inexpensive, yet rapid method of generating perfectly in-focus images of 3D samples, Syncroscopy believes this will generate new sales revenue for the division.

Artemis CCD

Artemis CCD which was acquired by SDI in October 2008 designs and manufactures high-sensitivity cameras. These are sold to life science and industrial applications under its Artemis CCD brand and for deep-sky astronomy imaging as Atik.

Artemis CCD (brand)

During the past year, Artemis CCD brand continued its business with its established OEM customers and started to expand into a new product sector as well as extending its territorial reach. Over the last 12-18 months, growth has returned to the solar photovoltaic energy sector. The focus is on Asia with many European manufacturers of assembly lines quick to respond. Artemis CCD provides cooled CCD cameras ideal for electroluminescence testing of silicon solar cells, strings and panels. The appointment of a Taiwanese and Chinese distributor working in tandem with our direct sales in Europe provides a solid base for growth in a new sector, parallel with more traditional life sciences. In order to provide the most suitable product for the market, the VS range introduced last year has been upgraded to provide faster image acquisition times while maintaining high levels of image quality.

Atik

Atik sales increased during the year to give us our fourth successive year of growth. This growth was spread evenly over our established markets in Europe and North America. The introduction of improved sensors by Sony has enabled us to introduce new camera models based on current designs to meet customers' requirements for high performance and good value.

At the beginning of the year we identified Australia and Japan as countries where we had the potential to increase our presence. New dealerships have been established in both these countries and have resulted in sales to these areas more than doubling. With continued advertising and promotion we feel that we have the potential to see further growth in these markets.

Atik introduced two new platforms in 2013-14. The Atik One features an internal filter wheel which provides integrated solution for producing colour images and narrow band images from monochrome cameras. This reduces the complexity of what can prove a challenging hobby. The other new camera is the Atik GP which has a high frame rate and resolution to enable planetary imaging to be undertaken. In addition its sensitivity provides a cost effective guiding solution where the GP is used in addition to a main imaging camera. Atik has been able to introduce updates to its software which is provided to both new and existing customers.

Opus Instruments

Opus Instruments manufactures the Osiris infrared imaging system designed specifically for art conservators to capture high-resolution images of information not visible to the eye. The system of a camera linked to a microcontroller sends acquired infrared data to a PC via a USB connection, where it is assembled and displayed on screen into an image of the under drawing.

SDI acquired Opus Instruments in early 2014 because the company offers a niche technology, which is complementary with SDI imaging portfolio. To date, SDI has utilised its imaging expertise and will introduce a touch screen version of the Osiris system that will allow remote access to the software by tablet, so that art conservators can share results with colleagues in other galleries anywhere in the world. SDI has also appointed a sales manager for Opus Instruments and is actively promoting Osiris in Europe and the US, where many galleries and museums are expressing interest in seeing the re-engineered system.

Since Opus was acquired near the end of SDI's financial period, Opus's trading will have a full year effect in 2014/5 and the Board believes the redeveloped Osiris system and increased marketing activities will contribute to positive sales growth.

Summary

At Synoptics, Syngene has introduced the T:Genius and three new re-engineered G:BOX systems for image capture, for which there is increasing international interest. The Synbiosis ProtoCOL 3 continues to be popular and the new rapid microbiology identification software for this system will stimulate sales of this product in new and existing market sectors, especially in North America. The re-engineering of the ProReveal and the new global distribution network including a strong North American presence will see successes in the decontamination sector, ensuring forecast sales are positive.

Artemis CCD continues to make an increasing contribution to the SDI Group thanks to both intra-group revenues to Synoptics and to growth in its amateur astronomy market.

Finally, SDI has implemented significant cost savings over the last two years and will continue these on-going efficiencies into the new financial year

Mike Creedon

Chief Executive Officer
8 August 2014

Strategic review

Principal activity and business review

Scientific Digital Imaging Plc (SDI) is focused on the application of digital imaging technology to the needs of the scientific community. Its principal subsidiary is Synoptics Limited, which designs and manufactures special-purpose instruments for use mainly in the life sciences, supplying customers in the academic and research sectors. In October 2008 SDI acquired the entire share capital of Artemis CCD Limited and Perseu Comercio De Equipamento Para Informatica E Astronomia SA (Perseu) (now marketed under the brands Atik Cameras and Artemis CCD Cameras), companies that design and manufacture high-sensitivity cameras for both astronomical and life sciences applications and whose products are used in instruments manufactured by Synoptics Limited.

The Board intends to pursue a strategy of acquiring digital imaging or related companies, as well as seeking to generate organic growth. The Board believes there are many businesses operating within the market, a number of which have not achieved critical mass, and that this presents an ideal opportunity for consolidation. This strategy will be primarily focused within Europe but, where opportunities exist, acquisitions in the United States and elsewhere will also be considered. The acquisition of Artemis and Perseu represented the first step in the implementation of this strategy. The acquisition strategy continued with the recent acquisition of Opus Instruments.

The Chairman's Report and Chief Executive's Operating Report, which appear on Pages 1 to 7, give an overview of the performance of the Group during the year and likely future developments.

Key Performance Indicators

The key financial performance indicators (KPI's) used to monitor the business include the order pipeline, revenue, gross profit, operating profit, cash and earnings per share. The KPI's are reviewed on a monthly basis against budget by the Directors and management in respect of changes within periods and changes between reporting periods.

The non-financial key performance indicator is to monitor research and development projects to project management targets.

Group Summary

Group revenue for the year decreased by 9.1% to £7.0m (2013: £7.7m).

Gross profit decreased to £4.0m (2013: £4.4m) with increased gross margins at 57.1% (2013: 56.9%).

Operating profit for the year was £1k (2013: £280k) after reorganisation costs of £22k (2013: £14k), share based payments of £6k (2013: £4k) and acquisition costs of £28k (2013: nil).

Investment in R&D

Total research and development in the current year was £687k, representing 9.8% of Group sales (2013: £600k representing 7.8% of Group sales). Under IFRS we are required to capitalise certain development expenditure and in the year ending 30 April 2014 £472k (2013: £430k) of cost was capitalised and added to the balance sheet. This expenditure represents the Group's investment in new product development. The amortisation charge for 2014 was £307k (2013: £247k). The carrying value of the capitalised development at 30 April 2014 was £802k (2013: £637k) to be amortised over three years.

Reorganisation Costs

The Board constantly carries out a thorough review of the operations and structures of the Group and £22k of costs from the review and reorganisation were incurred in 2014.

Earnings per Share

Basic loss per share for Group was 0.16p (2013: earnings 1.05p), diluted loss per share for the Group was 0.16p (2013: earnings 1.01p).

Finance Costs and Income

Net financing expense was £39k (2013: £67k). Loan stock interest charges for the year were £11k (2013: £34k).

Taxation

The tax charge of £nil (2013: £21k) is largely due to the deferred tax charge in the Group, offsetting any current tax credits.

Cash Flow

During the year the Group improved cash flow, reporting a cash balance of £539k (2013: £388k) at the year end.

Funding and Deposits

The Group utilises short-term facilities to finance its operations. The Group has one principal banker with an invoice discounting facility and bank loan. Surplus funds are placed on short-term deposit.

The Group utilises long-term borrowings from bank loans, other loans and finance leases.

Principal risks and uncertainties

The following represents, in the opinion of the Board, the principal risks of the business. It is not a complete list of all the risks and the priority, impact and likelihood of the risks may change over time.

Dependence on key distributors
Failure to effectively manage our distributors of products could damage customer confidence and adversely affect our revenues and profits.
In order to mitigate this risk the Group has a team dedicated to maintaining close relationships with our distributors.

Competition
Competition from direct competitors or third party technologies could impact upon our market share and pricing.
In order to mitigate this risk the Group continues to invest in researching its markets and continues to offer new products to changing customer preferences. In addition the Group invests in research and development to maintain its competitive advantage.

Currency Translation
The results for the Group's overseas businesses are translated into Pounds Sterling at the average exchange rates for the relevant year. The balance sheets of overseas businesses are translated into Pounds Sterling at the relevant exchange rate at the year end. Exchange gains or losses from translating these items from one year to the next are recorded in other comprehensive income.

As with the majority of international companies, the Group's UK and overseas businesses purchase goods and services, and sell some of their products, in non-functional currencies. Where possible, the Group nets such exposures or keeps this exposure to a minimum. The Group's principal exposure is to US Dollar and Euro currency fluctuations

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described on pages 8 - 10. In addition, notes to the financial statements include the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Board have prepared forecasts for the period to 30 April 2016. These reflect the sales projections for the recent acquisition, Opus Instruments Limited, new products coming on stream as a result of the Group's research and development activity and continued cost management. The Group meets its cash flow and borrowing requirements through an invoice discounting facility which is a 12 month rolling contract due for renewal in November 2014 and a bank loan as detailed in note 19. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board are confident that continued focus on research and development, new product development and sales & marketing will deliver growth. Whilst there is no certainty in the current economic conditions with regard to the sales projections contained within the forecasts, the Board are confident that these are realistic in light of recent trading and have received no indication that the existing facility will not continue to be available during the forecast period. They consider that the Group will have adequate cash resources within its existing facilities to continue to trade for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Acquisition strategy

The Board plans to make acquisitions of businesses if the targets fit appropriately into the Group by strengthening our product range and existing technologies, offering new and attractive routes to markets, high performance and motivated management, and a proven track record.

The successful implementation of our acquisition strategy depends on our ability to identify targets, in completing the transactions, to achieve an acceptable rate of return, and to successfully integrate the business in a timely manner post acquisition.

An example of the acquisition strategy is the recent acquisition of Opus Instruments Limited. The deal provided SDI with an existing product, Osiris, which is used to examine works of art, but also with an infrared camera technology with other potential digital imaging applications. The acquisition is expected to be cash generative in the year ending April 2015.

Summary

The reorganisation of the Group is now complete and it is in a position to offer competitive products at competitive prices whilst achieving improved gross margins.

The Strategic report, which incorporates the Chairman's Statement, Chief Executive's Operating Report and Strategic review was approved by the Board of Directors, and signed on its behalf by

Mike Creedon
Chief Executive Officer
8 August 2014

Group results

The Group loss for the year after taxation amounted to £38k (2013: profit £192k) and has been transferred to reserves.

The Board does not recommend the payment of a dividend.

Directors

The Directors who served during the period are set out below.

M Creedon
E K Ford
J Gibbs
Dr A Simon

The interests of the Directors and their families in the share capital of the Company are shown in the Remuneration report on page 18.

The appointment and replacement of Directors of the Company is governed by its Articles of Association and the Companies Acts. The Articles of Association may be amended by special resolution of the shareholders.

The Company must have a minimum of two Directors holding office at all times. There is no maximum number of Directors. The Company may by ordinary resolution, appoint any person to be a Director. The Board may appoint a person who is willing to act as Director, either to fill a vacancy or as an addition to the Board. A Director appointed in this way may hold office only until the dissolution of the next Annual General Meeting unless he or she is reappointed during the meeting.

Power of Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Memorandum and Articles of Association.

At the Annual General Meeting held on 16 September 2013, the Directors were given the power to:

- Arrange for the Company to purchase its own shares in the market up to a limit of 15% of its issued share capital;
- Allot ordinary shares up to an aggregate nominal value of £80,000
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £25,000.

Structure of share capital

As at 30 April 2014 the Company's authorised share capital of £10,000,000 comprised 1,000,000,000 ordinary share of 1p each.

As at 30 April 2014 the Company had 27,777,308 (2013: 19,368,242) ordinary shares in issue with a nominal value of 1p each.

Financial risk management objectives and policies

Financial risk management objectives and policies are discussed in Note 25 'Financial risk management objectives and policies.

Employee involvement

During the year, the policy of providing employees with information about the Group has been continued through regular meetings which are held between local management and employees to allow a free flow of information and ideas.

The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Employees who become disabled are provided, where practicable, with continuing employment under normal terms and conditions and are provided with training and career development where appropriate.

Health and safety policies

The Group is committed to conducting its business in a manner which ensures high standards of health and safety for its employees, visitors and general public. It complies with all applicable and regulatory requirements.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

On behalf of the Board

Mike Creedon
Chief Executive Officer
8 August 2014

The Board remains committed to maintaining high standards of corporate governance throughout the Group. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company.

Statement about applying the principles of the Code

SDI does not fully comply with the UK Corporate Governance Code but has reported on the Company's Corporate Governance arrangements drawing upon best practice available, including those aspects of the UK Governance Code which the Board considers to be relevant to the Company.

The workings of the Board and its committees

The Board

The Board comprised the Chairman, one Executive Director and two Non-Executive Directors. Mr Gibbs, a Non-Executive Director is an advisor to the Group's major shareholder and is not considered to be independent. The remaining Non-Executive Directors are considered to be independent, provide a solid foundation for good corporate governance for the Group, and ensure that no individual or group dominates the Board's decision making process. The Non-Executive Directors are independent of management. Each Non-Executive Director continues to demonstrate that they have sufficient time to devote to the Company's business.

The Non-Executive Directors constructively challenge and assist in developing the strategy of the Group using their experience and knowledge of acquisition targets and fundraising. They scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance. The Board is provided with regular and timely information on the financial performance of the Group as a whole, together with reports on trading matters, markets and other relevant matters.

There are clearly defined roles for the Chairman and Chief Executive. The Chairman is responsible for leadership of the Board, ensuring effectiveness of the Board in all aspects, conducting Board meetings and the effective and timely communication of information to shareholders. The Chairman is able to provide advice, counsel and support to the Chief Executive. The Chief Executive has direct charge of the Group's day-to-day activities and sets the operating plans and budgets required to deliver the agreed strategy. The Chief Executive is also responsible for ensuring that the Group has in place appropriate risk, management and control mechanisms.

The Board is collectively responsible for the performance of the Group and is responsible to shareholders for proper management of the Group. A statement of Directors' responsibilities is given on page 19 and a statement on going concern is given on page 10.

The Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements. Other responsibilities are delegated to the Board Committees, being the Audit and Remuneration committees, which operate within clearly defined terms of reference, and which report back to the Board.

Relevant papers are distributed to members in advance of Board and Committee meetings. Directors' knowledge and understanding of the Group is enhanced by visits to the operations and by receiving presentations by senior management on the results and strategies of the business units. Directors may take independent professional advice on any matter at the Company's expense if they deem it necessary in order to carry out their responsibilities. The Company has secured appropriate insurance cover for Directors and Officers.

Board Committees

The following committees deal with specific aspects of the Group's affairs.

Remuneration Committee

Details of the Remuneration Committee can be found in the Directors' remuneration report on page 17-18.

Audit Committee

The Audit Committee, which is chaired by A Simon and has J Gibbs and K Ford as members, meets not less than twice annually and more frequently if required.

The Board considers that each member of the Audit Committee has recent and relevant financial experience and an understanding of accounting and financial issues relevant to the industries in which Scientific Digital Imaging operates. The Committee provides a forum for reporting by the Group's external auditors. Meetings are also attended by executives at the invitation of the Committee.

The Audit Committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the Board, and monitoring the controls which are in force to ensure integrity of the information reported to shareholders. The Audit Committee makes recommendations to the Board on the appointment and responsibilities of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors.

The Committee is also responsible for monitoring the cost effectiveness, independence and objectivity of Grant Thornton UK LLP, the external auditor, and agreeing the level of remuneration and extent of non-audit services.

Audit independence

The Board and Audit Committee place great emphasis on the objectivity of the Group's auditors, Grant Thornton UK LLP. Audit Committee meetings are attended by the auditors to ensure full communication of matters relating to the audit and the Audit Committee meets with the auditors without the executives present to discuss, amongst other matters, the adequacy of controls and any material judgement areas.

Internal control

The Board has overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The Directors have reviewed the effectiveness of the system of internal controls in operation. The role of the Group's management is to implement the Board policies on risk and control. Internal control systems are designed to meet the particular needs of the business concerned and the risks to which it is exposed and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The key procedures, which the Directors have established to review and confirm the effectiveness of the system of internal control, include the following:

- **Management Structure.** The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. The Chief Executive has been given responsibility for specific aspects of the Group's affairs. The Chief Executive also meets regularly with the Managing Directors and management teams of the subsidiary businesses.

- **Quality and integrity of personnel.** The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment.

- **Financial information.** There is a comprehensive budgeting and forecasting system. Each year the Board approves the annual budget. Key risk areas are identified and reported to the Board. Performance is monitored on a monthly basis against budget and the prior year and relevant actions identified.

  The Board receives and reviews monthly management accounts together with full year forecasts which are updated quarterly. Performance against forecast and budget is closely monitored.

  The Chief Executive prepares a monthly report for the Board on key developments, performance and issues in the businesses.

- **Audit Committee.** The Audit Committee monitors, through reports to it by the external auditors, the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by these reports.

Remuneration Committee

The Remuneration Committee is chaired by J Gibbs. A Simon and K Ford are also members of the Committee. In determining the remuneration packages, the Remuneration Committee may seek the view of the other Board members. The Committee consults with the Chief Executive on matters relating to the performance and remuneration of other senior executives within the Group. The Chief Executive was present for part of the Remuneration Committee meetings, but not when his own remuneration was discussed.

Statement about basis of preparation

SDI has produced this report on a voluntary basis to comply with AIM rule 19.

Remuneration policy

The objective of the remuneration policy is to provide packages for executives that are designed to attract, retain and motivate people of high quality and experience.

The remuneration package for the Chief Executive and senior executives consists of an annual salary, short-term incentive scheme, pension arrangements, and health benefits.

The Committee believes that the base salary and benefits for executives should represent a fair return for employment but that the maximum total potential remuneration may only be achieved in circumstances where the executive has met challenging objectives that contribute to the Group's overall profitability and performance. Performance-related elements, being the quarterly performance related pay, form a significant proportion of the remuneration of the executives aligning their interests with those of the shareholders and providing incentives for performance. A significant proportion of the executive's total package is therefore required to be at risk.

Basic salary and benefits

The basic salaries of the Chief Executive and senior executives are reviewed annually and take effect from 1 July each year. The basic salary is determined by reference to relevant market data and the individual's experience, responsibilities and performance. Benefits principally comprise pension arrangements, life insurance, permanent health insurance, private healthcare and in some cases a company car.

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

	2014				2013
	Salary / Fees £000	**Taxable Benefits £000**	**Pension £000**	**Total £000**	Total £000
J Gibbs	**18**	**-**	**-**	**18**	16
A Simon	**18**	**-**	**-**	**18**	16
K Ford	**25**	**-**	**-**	**25**	16
M Creedon	**102**	**1**	**4**	**107**	104
	163	**1**	**4**	**168**	152

Directors' beneficial interests

Directors' beneficial interests in shares in the Company are set out below:

	2014 Number	2013 Number
A Simon	**8,348**	8,348
K Ford	**375,000**	275,000
M Creedon	**7,500**	2,000

None of the Directors had or has an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings.

Directors' beneficial interests in share options in the Company are set out below:

	2014 Number	2013 Number
M Creedon	**285,000**	285,000

Service contracts

The service contract with M Creedon dated 25 April 2010 includes a notice period of six months if given by either party.

The non-executive Directors' service contracts include a notice period of three months if given by either party.

Remuneration policy for Non-Executive Directors

Fees for the Non-Executive Directors are determined by the Board as a whole. The Non-Executive Directors do not participate in the Company's performance related pay scheme, and are not eligible for pension scheme membership.

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare separate parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Ken Ford	Mike Creedon
Chairman	Chief Executive Officer
8 August 2014	8 August 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIENTIFIC DIGITAL IMAGING PLC

We have audited the group financial statements of Scientific Digital Imaging Plc for the year ended 30 April 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Councils website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.Opinion on financial statements.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in the basis of preparation on page 27 and further explained in the strategic report on page 10 concerning the company and the group's ability to continue as a going concern. The group incurred a net loss of £38,000 during the year ended 30 April 2014 and relies on the availability of bank facilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company and the group's ability to continue as a going concern. The financial statements do not include the adjustments that would occur if the company and the group were unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Report of the Directors for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the parent company financial statements of Scientific Digital Imaging Plc for the year ended 30 April 2014.

James Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

8 August 2014

Consolidated Income Statement
For the year ended 30 April 2014

	Note		2014 £000		2013 £000
Revenue	5		**7,037**		7,665
Cost of sales			**(3,021)**		(3,304)
Gross profit			**4,016**		4,361
- currency exchange (losses)		**(66)**		(2)	
- reorganisation costs		**(22)**		(14)	
- share based payments		**(6)**		(4)	
- acquisition costs		**(28)**		-	
- other administrative expenses		**(3,893)**		(4,061)	
Total administrative expenses			**(4,015)**		(4,081)
Operating profit			**1**		280
Finance payable and similar charges	8	**(39)**		(67)	
Net financing expenses			**(39)**		(67)
(Loss)/ profit before tax	6		**(38)**		213
Income tax	9		**-**		(21)
(Loss)/ profit for the year			**(38)**		192

Earnings per share

	Note	2014	2013
Basic (loss)/ earnings per share	21	**(0.16)p**	1.05p
Diluted (loss)/ earnings per share	21	**(0.16)p**	1.01p

All activities of the Group are classed as continuing.

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

Consolidated statement of comprehensive income
For the year ended 30 April 2014

	2014 £000	2013 £000
(Loss)/ profit for the period	**(38)**	192
Other comprehensive income		
Exchange differences on translating foreign operations	**(75)**	39
Total comprehensive (loss)/ income for the period	**(113)**	231

Exchange differences on translating foreign operations may be subsequently reclassified to the profit and loss.

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

Consolidated balance sheet
For the year ended 30 April 2014

	Note	2014	2013
Assets		**£000**	£000
Intangible assets	10	**2,085**	896
Property, plant and equipment	11	**419**	415
Deferred tax asset	12	**99**	125
		2,603	1,436
Current assets			
Inventories	13	**1,117**	947
Trade and other receivables	14	**1,286**	1,467
Current tax assets		**16**	-
Cash and cash equivalents	15	**539**	388
		2,958	2,802
Total assets		**5,561**	4,238
Liabilities			
Non-current liabilities			
Borrowings	19	**272**	38
Trade and other payables	16	**189**	-
Deferred tax liability	12	**169**	164
		630	202
Current liabilities			
Trade and other payables	16	**1,427**	1,423
Provisions for warranties	18	**17**	17
Borrowings	19	**199**	472
Current tax payable		**35**	-
		1,678	1,912
Total liabilities		**2,308**	2,114
Net assets		**3,253**	2,124
Equity			
Share capital	20	**278**	194
Merger reserve		**3,030**	2,606
Share premium account		**1,063**	335
Own shares held by Employee Benefit Trust	22	**(85)**	(85)
Other reserves		**65**	100
Foreign exchange reserve		**(109)**	(34)
Retained earnings		**(989)**	(992)
Total equity		**3,253**	2,124

The financial statements were approved by the Board of Directors on 8 August 2014

Ken Ford
Chairman

Mike Creedon
Chief Executive Officer

The accompanying accounting policies and notes form an integral part of these financial statements.
Company registration number: 6385396

SCIENTIFIC DIGITAL IMAGING PLC

Consolidated statement of cashflows
For the year ended 30 April 2014

	2014 £000	2013 £000
Operating activities		
(Loss)/profit for the year	**(38)**	192
Depreciation	**227**	232
Amortisation	**368**	260
Profit on sale of property, plant and equipment	**-**	(2)
Finance costs and income	**39**	67
Taxation expense in the income statement	**-**	21
Employee share based payments	**6**	4
Operating cash flows before movement in working capital	**602**	774
Increase in inventories	**(88)**	(100)
Changes in trade and other receivables	**199**	48
Changes in trade and other payables	**(190)**	153
Cash generated from operations	**523**	875
Interest paid	**(26)**	(67)
Income taxes received/(paid)	**7**	-
Cash generated from operating activities	**504**	808
Investing activities		
Capital expenditure on fixed assets	**(257)**	(356)
Expenditure on development and other intangibles	**(540)**	(430)
Acquisition of subsidiaries, net of cash	**(273)**	-
Sale of property, plant and equipment	**64**	93
Net cash used in investing activities	**(1,006)**	(693)
Financing activities		
Movement of finance leases	**(34)**	(12)
Loan stock repayment	**(204)**	-
Proceeds from bank borrowing	**300**	-
Repayment of borrowings	**(27)**	-
Issues of shares	**636**	-
Net cash from financing	**671**	(12)
Net changes in cash and cash equivalents	**169**	103
Cash and cash equivalents, beginning of year	**388**	285
Foreign currency movements on cash balances	**(18)**	-
Cash and cash equivalents, end of year	**539**	388

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

Consolidated statement of changes in equity
For the year ended 30 April 2014

	Share capital £000	Merger reserve £000	Foreign exchange £000	Share premium £000	Own shares held by EBT £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 April 2013	194	2,606	(34)	335	(85)	100	(992)	2,124
Shares issued	84	424	-	728	-	-	-	1,236
Share based payments	-	-	-	-	-	6	-	6
Transfer of equity on consolidation of shares	-	-	-	-	-	(41)	41	-
Transaction 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 for the period	**-**	**-**	**(75)**	**-**	**-**	**-**	**(38)**	**(113)**
Balance at 30 April 2014	**278**	**3,030**	**(109)**	**1,063**	**(85)**	**65**	**(989)**	**3,253**

	Share capital £000	Merger reserve £000	Foreign exchange £000	Share premium £000	Own shares held by EBT £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 April 2012	187	2,606	(73)	262	(85)	176	(1,184)	1,889
Share options issued as deferred payment	7	-	-	73	-	(80)	-	-
Share based payments	-	-	**-**	-	-	4	-	4
Transactions with owners	**7**	**-**	**-**	**73**	**-**	**(76)**	**-**	**4**
Profit for the year	-	-	-	-	-	-	192	192
Foreign exchange on consolidation of subsidiaries	-	-	39	-	-	-	-	39
Total comprehensive income for the period	**-**	**-**	**39**	**-**	**-**	**-**	**192**	**231**
Balance at 30 April 2013	**194**	**2,606**	**(34)**	**335**	**(85)**	**100**	**(992)**	**2,124**

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

1 REPORTING ENTITY

Scientific Digital Imaging plc, a public limited company, is the Group's ultimate parent. It is registered and domiciled in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in Note 5 to the Company Financial Statements.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and as applied with the provisions of the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial instruments at fair value.

The principal accounting policies of the Group are set out below.

The consolidated financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company. All values are rounded to the nearest thousand (£'000) except where otherwise indicated.

The directors have concluded that the going concern basis remains appropriate in the preparation of the company financial statements as explained in the note on going concern in the Strategic Report on page 10.

ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Judgements
Careful judgement by the management is applied when deciding whether the capitalisation requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new products are continuously monitored. The carrying value of development costs is detailed in note 10.

Estimates
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Intangibles – development costs

The Group is required to capitalise any development costs that meet the criteria as per IAS 38. (See Research and Development accounting policy, page 30) Significant assumptions are made in categorising development costs and in estimating the future profits expected from the development. Changes in these assumptions could affect the value of costs capitalised and hence the amount charged to the income statement.
The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical and commercial feasibility is demonstrable.

Impairment of goodwill and other intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows and a number of assumptions have been made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate in order to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 10. The carrying amount of goodwill for this and prior year was £1,122k (2013: £170k). Other intangibles had a carrying amount of £161k (2013: £89k).

Deferred taxation

Deferred tax is provided for based on management's estimation of future profits and utilisation of tax losses. Changes in these assumptions could affect the value of deferred tax provided for and hence the amount charged to the income statement. The total carrying amount of the deferred tax asset at 30 April 2014 is £99k (2013: £125k) of which £99k (2013: £113k) relates to trading losses.

Contingent consideration

Contingent consideration on acquisitions are measured at fair value. Where future payments are dependent on performance, predicted revenue levels for three years from the date of acquisition based on financial forecasts have been used, when recognising the liability.

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2013 apart from the adoption of IFRS 13 "Fair Value Measurement" (IFRS 13). IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 "Financial Instruments: Disclosures". The Group has applied IFRS 13 for the first time in the current year, see Notes 26 and 29.

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method under the revised IFRS 3 Business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition costs are expensed with administration expenses as incurred. The Group recognises identifiable assets acquired and liabilities assumed including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

FOREIGN CURRENCY

Transactions entered into by Group entities in a currency other than the functional currency of the company which incurred them are recorded at the rate of exchange at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

For the purpose of presenting the consolidated financial statements the assets and liabilities of the Group's overseas operations are translated using exchange rates prevailing on the balance sheet date.

Income and expense items of overseas operations are translated at exchange rates approximating to those ruling when the transactions took place. Exchange differences arising from this policy are recognised in other comprehensive income and accumulated in the foreign exchange reserve, such translation differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to profit or loss on a straight line basis over the estimated useful lives of each part of property, plant and equipment to write down the cost of the asset to its residual value. Residual values are reviewed annually.

The estimated useful lives are as follows:

Motor vehicles	3 years
Computer equipment	3 years
Tools and other equipment	3 years
Furniture, fixtures and fittings	5 years
Building and leasehold improvements	5 years

GOODWILL

Goodwill represents the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, it is recognised immediately in profit or loss as a gain from a bargain purchase. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is also reviewed for impairment immediately following an acquisition. The impairment of goodwill is based upon value in use, determined using estimated future discounted cash flows.

RESEARCH AND DEVELOPMENT

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible assets and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or the intangible asset itself, or, if it is to be used internally, the asset will be used for generating such benefits;

- The expenditure attributable to the intangible asset during its development can be measured reliably.

The expenditure capitalised includes direct cost of material, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development is stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite upon completion of the project. Amortisation is shown within administrative expenses in the income statement. The estimated useful lives of current development projects are between three and five years. Until completion of the project the assets are subject to impairment testing.

OTHER INTANGIBLE ASSETS

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill providing the assets are separable or they arise from contractual or other legal rights and their fair value can be measured reliably. The fair value of intangible assets includes any tax benefit.

Intangible assets with a finite life are amortised over their useful economic lives. Amortisation is recognised in the income statement within administrative expenses on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Capitalised development costs	3 years
Other intangible assets	5 -7 years

IMPAIRMENT

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses for cash-generating units reduce first the carrying value of any goodwill allocated to that cash generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indicators that an impairment loss previously recognised may no longer exist.

Any impairment in respect of goodwill is not reversed. Impairment losses on assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their location and condition at the balance sheet date. Items are valued using the first in, first out method. When inventories are used, the carrying amount of these inventories is recognised as an expense in the period in which the related revenue is recognised. Provisions for write-down to net realisable value and losses of inventories are recognised as an expense in the period in which the write-down or loss occurs.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and deposits.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless SDI has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Merger reserve" represents the difference between the parent company's cost of investment and the subsidiary's share capital and share premium where a group reorganisation qualifies as a common control transaction.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Own shares held by Employee Benefit Trust" represents shares held in trust for the benefit of employees
- "Other reserve" represents equity-settled share-based employee remuneration until such share options are exercised. The equity component of convertible stock is also included. On conversion of the loan stock the equity component is transferred into the retained earnings reserve.
- "Retained earnings" represents retained profits.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

Obligations for contributions for defined contribution plans are recognised as an expense in the income statement when they are due.

FINANCIAL ASSETS

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents. Trade and other receivables are initially stated at fair value and thereafter at amortised cost using effective interest method. The carrying amounts of the Group's financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in profit or loss.

An impairment loss in respect of trade and other receivables is reversed if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, other loans and bank borrowings. All financial liabilities are measured at fair value plus transaction costs on initial recognition and subsequently are measured at amortised cost. Contingent consideration is measured at fair value through profit and loss in the income statement.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that results in a residual interest in the assets of the Company after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial assets to another entity.

Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability. Financial liabilities are presented under liabilities on the balance sheet.

Compound financial instruments

Compound financial instruments comprise both a liability and equity component. In accordance with International Accounting Standard (IAS) 32 Financial Instruments: Presentation such instruments are to be split into their debt and equity elements, with each element being accounted for separately.

At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument without the equity component. The residual is the difference between the net proceeds of issue and the liability component (at time of issue) and is accounted for as an equity instrument.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument and is recognised in the income statement. The difference between this amount and any repayments is added to the carrying amount of the financial liability. On conversion the equity component is transferred into the retained earnings reserve, and the liability component offset against the cash paid and shares issued.

REVENUE RECOGNITION

Revenue is solely from the sale of goods and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the customers. Revenue is recognised when goods are despatched. Revenue from the sale of goods provided is measured at the fair value of the consideration received or receivable, net of returns, VAT and trade discounts.

LEASED ASSETS

Leases are classified as finance leases when they transfer substantially all the risks and rewards of ownership otherwise leases are classified as operating leases.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. Depreciation is over the shorter of the lease term and the useful life of the asset. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are recognised in profit or loss on a straight-line basis over the term of the lease.

CONTINGENT CONSIDERATION

Contingent consideration on acquisitions are measured at fair value. Future payments are dependent on revenue targets.

TAXATION

Income tax expense comprises current and deferred tax.

The tax currently payable is based on the taxable profit for the year. Current tax is recognised in profit or loss, except that current tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and current tax relating to items recognised directly in equity is recognised in equity. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group or it is probable that reversal will not occur in the foreseeable future. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the temporary difference can be utilised.

The carrying value of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow part or all of the assets to be recovered.

Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

SEGMENT REPORTING

The Group identifies reportable operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Chief Executive Officer.

PROVISIONS

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and the amounts can be estimated reliably.

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

EMPLOYEE BENEFIT TRUST

The employee benefit trust is a separately administered discretionary trust for the benefit of employees, the assets of which comprise shares in the Company. The material assets, liabilities, income and costs of the ESOP or EBT are consolidated within these financial statements. Until such time as the Company's own shares held by the trust vest unconditionally in employees, the consideration paid for the shares is deducted in arriving at shareholders' funds.

SHARE BASED PAYMENTS

Scientific Digital Imaging plc regularly issues share options to employees. The fair value of the award granted is recognised as an employee expense within the Income Statement with a corresponding increase in equity. The fair value is measured at the grant date and allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

When shares are issued for the purchase of intangibles, the fair value is measured at the grant date.

The fair value of the grants is measured using the Black-Scholes model taking into account the terms and conditions upon which the grants were made.

4 STANDARDS AND INTERPRETATIONS CURRENTLY IN ISSUE BUT NOT YET EFFECTIVE

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the consolidated financial statements.

- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised) Separate Financial Statements (effective 1 January 2014)

Based on the Group's current business model and accounting policies, management does not expect material impacts on the consolidated financial statements when the Standards and Interpretations listed above and others not listed become effective. The Group does not intend to apply any of these pronouncements early.

5 SEGMENT ANALYSIS

Management consider that there is a single operating segment being the supply of digital imaging equipment, encompassing Synoptics three marketing brands: Syngene, Synbiosis, Syncroscopy and the Atik brand which is used within Synoptics brands and sold externally to the amateur astronomy market. Each of the brands have a number of products and whilst sales performance of each brand are monitored, resources are managed and strategic decisions made on the basis of the Group as a whole.

The geographical analysis of revenue by destination and non-current assets (excluding deferred tax) by location is set out below:

Revenue by destination of external customer	**2014**	2013
	£000	£000
United Kingdom (country of domicile)	**901**	747
Europe	**2,221**	2,217
America	**2,233**	2,354
Rest of Asia	**1,491**	2,034
Rest of World	**191**	313
	7,037	7,665

Non-current assets by location	**2014**	2013
	£000	£000
United Kingdom	**2,293**	1,076
Portugal	**66**	62
America	**145**	173
	2,504	1,311

6 (LOSS)/ PROFIT BEFORE TAXATION

(Loss)/ profit for the year has been arrived at after charging/(crediting):

	2014	2013
	£000	£000
Amortisation other intangibles (Note 10)	**61**	13
Depreciation charge for year:		
Property, plant and equipment	**196**	208
Property, plant and equipment held under finance leases	**31**	24
(Profit) / loss on disposal of property, plant and equipment	**-**	(2)
Research and development costs:		
Expensed as incurred	**215**	381
Amortisation charge	**307**	247
Auditor's remuneration Group:		
Audit of group accounts	**12**	8
Fees paid to the auditor and its associates in respect of other services:		
Audit of Company's subsidiaries	**37**	30
Tax services	**6**	4
Other services	**2**	2
Currency exchange (gains) and losses	**(66)**	(3)
Rental of land and buildings	**122**	120
Rental of other items	**16**	12

7 DIRECTORS' AND EMPLOYEES' REMUNERATION

Staff costs during the year were as follows:

	2014	2013
	£000	£000
Wages and salaries	**2,276**	2,073
Social security costs	**204**	176

Share based payments	**6**	4
Other pension costs	**65**	64
	2,551	2,317

The share based payment charge is included in the income statement separately.

Staff costs relating to capitalised research and development are excluded from the table above.

The average number of employees of the Group during the year was:

	2014 Number	2013 Number
Administration	**10**	8
Production	**13**	15
Product development	**12**	13
Sales and marketing	**13**	14
	48	50

The remuneration of the Directors is set out below:

	Salary / fees £000	**Taxable benefits £000**	**Sub Total £000**	**Pension £000**	**2014 Total £000**	2013 Total £000
J Gibbs	**18**	**-**	**18**	**-**	**18**	16
A Simon	**18**	**-**	**18**	**-**	**18**	16
K Ford	**25**	**-**	**25**	**-**	**25**	16
M Creedon	**102**	**1**	**103**	**4**	**107**	104
	163	**1**	**164**	**4**	**168**	152

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £102k (2013: £104k). Company pension contributions of £4k (2013: £3k) were made to a money purchase scheme. As at 30 April 2014 the highest paid Director held a total of 285,000 share options (2013: 285,000 share options). No share options were exercised by any Director during the year.

Key management for the Group is considered to be the Directors of the Group. Employer's National Insurance in respect of Directors was £19k in 2014 (2013: £18k), and share based payment charge was £2k in 2014 (2013: £1k).

Share based employee remuneration

Two employee share option schemes (an EMI scheme and an approved scheme) have been established, under which options may be granted to employees (including Directors) to subscribe for ordinary shares in the Company. A further share option scheme (unapproved scheme) has been established under which options may be granted to employees and directors to subscribe for ordinary shares in the Company. All schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs. The options vest immediately and can be exercised three years after the share options are granted. Upon vesting, each option allows the holder to purchase one ordinary share. The options lapse if share options remain unexercised after a period of 10 years after the date of grant or if the employee leaves.

A summary of options outstanding currently is as follows:

	2014 Number of share options	**2014** Weighted Average Exercise price of options	2013 Number of share options	2013 Weighted Average Exercise price of options
Outstanding at the beginning of the year	**1,130,000**	**£0.185**	903,200	£0.139
Granted during the year	**100,000**	**£0.205**	643,000	£0.199
Expired during the year	**(147,000)**	**£0.183**	(416,200)	£0.125
Outstanding at the end of the year	**1,083,000**	**£0.183**	1,130,000	£0.185
Exercisable at the end of the year	**304,000**	**£0.125**	344,000	£0.125

The share options at the end of the year have a weighted average remaining contractual life of 7.2 years (2013: 8.8 years). The range of exercise prices for the outstanding options is £0.1250 to £0.3225.

Under the rules of the share option schemes, options are not normally exercisable until after 3 years from the date of the grant. Options may, however, be exercised early in certain circumstances such as, for example, option holders ceasing to be employed as a result of injury, disability, redundancy or retirement. Option holders in the unapproved scheme may exercise their options within 6 months of leaving the Board of Directors or Company for reasons other than for dismissal.

Options were valued using the Black-Scholes option pricing model. The fair value per option granted in the year and the assumptions used in the calculations were as follows:

	2014
Risk-free interest rate	2.6%
Expected volatility	30%
Expected option life in years	3 years
Expected dividend yield	Nil
Weighted average share price	20.5p
Weighted average exercise price	20.5p
Weighted average fair value of options granted	4.5p

Expected volatility was determined by calculating the historical volatility of the Company's share price over three years. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The share based payment expense for the Group totalled £6k (2013: £4k).

Pensions

The Group operates a defined contributions pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. Total contributions for the Group were £65k (2013: £64k).

	2014 **£000**	2013 £000
Current pension obligations included in liabilities	**9**	10

8 FINANCE COSTS

	2014 £000	2013 £000
Invoice discounting and bank loans	**18**	27
Finance leases and hire purchase contracts	**7**	6
Loan stock	**11**	34
Interest on other loans	**3**	-
	39	67

9 TAXATION

	2014 £000	2013 £000
Corporation tax:		
Corporation tax adjustment	**(7)**	-
Prior year R & D claim/ corporation tax adjustment	**(18)**	2
	(25)	2
Deferred tax expense	**25**	19
Income tax charge	**-**	21

Reconciliation of effective tax rate

	2014 £000	2013 £000
(Loss)/ Profit on ordinary activities before tax	**(38)**	213
(Loss)/ Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 22.84% (2013: 23.92%)	**(9)**	51
Effects of:		
Expenses not deductible for tax purposes	**-**	1
Additional deduction for R&D expenditure	**(43)**	(104)
Prior year tax adjustments	**(18)**	-
Transferred to tax losses	**70**	73
	-	21

The Group takes advantage of the enhanced tax deductions for Research and Development expenditure in the UK and expects to continue to be able to do so.

10 INTANGIBLE ASSETS

The amounts recognised in the balance sheet relate to the following:

Cost	Other intangibles £000	Goodwill £000	Development costs £000	Total £000
At 1 May 2013	216	170	1,687	2,073
Additions	133	952	472	1,557
At 30 April 2014	**349**	**1,122**	**2,159**	**3,630**
Amortisation				
At 1 May 2013	127	-	1,050	1,177

Amortisation for the year	61	-	307	368
At 30 April 2014	**188**	**-**	**1,357**	**1,545**
Net book amount at 30 April 2014	**161**	**1,122**	**802**	**2,085**
Net book amount at 30 April 2013	89	170	637	896

	Other intangibles	Goodwill	Development costs	Total
Cost	£000	£000	£000	£000
At 1 May 2012	216	170	1,257	1,643
Additions	-	-	430	430
At 30 April 2013	216	170	1,687	2,073
Amortisation				
At 1 May 2012	114	-	803	917
Amortisation for the year	13	-	247	260
At 30 April 2013	127	-	1,050	1,177
Net book amount at 30 April 2013	89	170	637	896
Net book amount at 30 April 2012	102	170	454	726

The goodwill relates to

(a) the acquisition of Artemis CCD Ltd and Perseu SA. These subsidiaries have been treated as a single cash generating unit (Atik) for the purpose of calculating the recoverable amount of goodwill which is based on its value in use. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed one year forecast, followed by an extrapolation of expected cash flows. These cash flows have been extrapolated over five years, and a discount rate of 17%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of five years. Management's key assumption for this cash generating unit and resulting cash flows is to grow sales through increased market share which have been determined based upon past experience in this market. The Group is not currently aware of any probable changes that would lead to the carrying value exceeding the recoverable amount.

(b) the acquisition of Opus Instruments. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed three year forecast with an assumed terminal growth rate of nil and a discount rate of 17%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of three years. Management's key assumption for this cash-generating unit is to grow sales through increased market share and reduced the cost base. Which have been determined using the future plans for the business, which include exploration of further applications for the infrared imaging system and help to enhance SDI's current product offering in this market. The Group is not currently aware of any probable changes that would lead to the carrying value exceeding the recoverable amount.

The amortisation charges are included within administrative expenses within the Income Statement.

11 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £000	Computer equipment £000	Tools and other equipment £000	Furniture fixtures and fittings £000	Building and leasehold improvements £000	Total £000
Cost						
At 1 May 2013	77	177	1,127	108	127	1,616
Additions	25	10	256	1	3	295
Disposals	(20)	-	(390)	-	(6)	(416)
At 30 April 2014	**82**	**187**	**993**	**109**	**124**	**1,495**
Depreciation						
At 1 May 2013	77	128	820	103	73	1,201
Charge for year	9	28	188	-	2	227
Disposals	(20)	-	(326)	-	(6)	(352)
At 30 April 2014	**66**	**156**	**682**	**103**	**69**	**1,076**
Net book value						
At 30 April 2014	**16**	**31**	**311**	**6**	**55**	**419**
At 30 April 2013	-	49	307	5	54	415

	Motor vehicles £000	Computer equipment £000	Tools and other equipment £000	Furniture fixtures and fittings £000	Building and leasehold improvements £000	Total £000
Cost						
At 1 May 2012	94	147	959	101	127	1,428
Additions	-	30	318	8	-	356
Disposals	(17)		(150)	(1)	-	(168)
At 30 April 2013	77	177	1,127	108	127	1,616
Depreciation						
At 1 May 2012	90	100	688	94	70	1,042
Charge for year	4	28	187	10	3	232
Disposals	(17)	-	(55)	(1)	-	(73)
At 30 April 2013	77	128	820	103	73	1,201
Net book value						
At 30 April 2013	-	49	307	5	54	415
At 30 April 2012	4	47	271	7	57	386

The net book value of building and leasehold, motor vehicles, computer equipment, tools and equipment and furniture, fixtures and fittings includes an amount of £69k (2013: £66k) in respect of assets held under finance leases and hire purchase contracts. Of this amount £22k (2013: £25k) relates to building and leasehold improvements, £21k (2013: £nil) relates to motor vehicles, £36k (2013: £41k) relates to computer equipment and £12k (2103: £nil) relates to tools and equipment. Depreciation on these assets is £3k (2013: £nil), £1k (2013: £4k), £21k (2013: £20k) and £6k (2013: £nil) respectively.

12 DEFERRED TAX

	2014 Deferred tax asset £000	**2014 Deferred tax liability £000**	2013 Deferred tax asset £000	2013 Deferred tax liability £000
At 1 May	**125**	**(164)**	113	(138)
Deferred tax on capitalised R & D	**-**	**(26)**	-	(20)
Other temporary differences	**(26)**	**14**	12	(14)
Charge on intangibles recognised on acquisition	**-**	**7**	-	8
At 30 April	**99**	**(169)**	125	(164)

	2014 Asset £000	**2014 Liability £000**	2013 Asset £000	2013 Liability £000
Deferred tax on capitalised R & D	**-**	**(155)**	-	(129)
Other temporary differences	**-**	**(6)**	-	(20)
Deferred tax on acquisition intangibles	**-**	**(8)**	-	(15)
Trading losses recognised	**99**	**-**	125	-
	99	**(169)**	125	(164)

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £537k (2013: £430k) in respect of losses. Total losses (provided and unprovided) totalled £3.1m (2013: £3.0m).

13 INVENTORIES

	2014 £000	2013 £000
Raw materials and consumables	**628**	649
Work in progress	**72**	79
Finished goods	**417**	219
	1,117	947

There is no material difference between the replacement cost of inventory and the amounts stated above.

In the year ended 30 April 2014 a total of £2,944k (2013: £3,101k) of inventories were consumed and charged to the Income Statement as an expense. In addition a total adjustment of £77k (2013: total adjustment £23k) was made resulting from the reduction of inventory provisions and write down of inventories.

14 TRADE AND OTHER RECEIVABLES

	2014 £000	2013 £000
Trade receivables	**1,146**	1,284
Other receivables	**63**	118
Prepayments	**77**	65

	1,286	1,467

All amounts are short-term. All of the receivables have been reviewed for indications of impairment. A provision is made against debtors that are considered not to be recoverable.

A reconciliation of the movement in the impairment provision for trade receivables is as follows:

	2014	2013
	£000	£000
Impairment provision as at 1 May 2013	**18**	16
(Decrease)/ increase in provision	**(1)**	2
Provision as at 30 April 2014	**17**	18

In addition, some of the unimpaired trade receivables are past due at the reporting date. There are no indications that financial assets neither past due nor impaired are irrecoverable. The age of financial assets past due but not impaired is as follows:

	2014	2013
	£000	£000
Less than 1 month	**267**	336
More than 1 month but not more than 3 months	**168**	143
More than 3 months but not more than 6 months	**54**	42
More than 6 months but not more than 1 year	**37**	57
More than 1 year	**84**	33
	610	611

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

15 CASH AND CASH EQUIVALENTS

	2014	2013
	£000	£000
Cash at bank and in hand	**539**	388

16 TRADE AND OTHER PAYABLES

	2014	2013
	£000	£000
Trade payables	**717**	645
Social security and other taxes	**78**	132
Other payables	**405**	498
Accruals and deferred income	**151**	148
Contingent consideration	**76**	-
	1,427	1,423

All amounts are short-term. The carrying values are considered to be a reasonable approximation of fair value.

Trade and other payables non-current

Contingent consideration (note 29)	**189**	-

17 LEASE LIABILITIES

The Group's motor fleet, a number of computers and a leasehold property in Portugal are held under finance lease arrangements. The net carrying amount of the assets held under leases is £70k (2013: £66k).

30 April 2014	**Within 1 year £000**	**1 to 5 years £000**	**Over 5 years £000**	**Total £000**
Gross lease payments	**34**	**41**	**-**	**75**
Future interest	**(3)**	**(2)**	**-**	**(5)**
Net present values	**31**	**39**	**-**	**70**

30 April 2013	Within 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Gross lease payments	33	43	-	76
Future interest	(5)	(5)	-	(10)
Net present values	28	38	-	66

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

18 PROVISION FOR WARRANTIES

	2014 £000	2013 £000
As at 1 May 2013	**17**	17
Provision utilised during the year	**(17)**	(17)
Provided for in year	**17**	17
Warranty provision as at 30 April 2014	**17**	17

Warranties of between one and three years are given with the sales of products. There are potential costs associated with the repair of goods under these warranties which could occur at any time over the next three years. The level of costs is uncertain. The warranty provision is based on the historical cost of warranty repairs over the last three years. It is expected that the majority of this expenditure will be incurred in the next financial year.

19 BORROWINGS

Borrowings are repayable as follows:

	2014 £000	2013 £000
Within one year		
Loan stock	**-**	368
Bank finance	**168**	76
Finance leases	**31**	28
	199	472
After one and within five years		
Loan stock	**-**	-
Bank finance	**183**	-
Other loan	**50**	-
Finance leases	**39**	38
	272	38
Total borrowings	**471**	510

Bank finance relates to amounts drawn down under the Group's invoice discounting facility (£69k) and bank loans (£282k), secured by a fixed and floating charge over the Group's undertakings. The bank loan, taken out to finance the acquisition of Opus Instruments, is repayable in monthly instalments and attracts interest at a rate of 5.6% over base rate.

Loan stock of £368k was converted into 833,334 ordinary shares of 1 pence at a market price of 15 pence each and cash of £254k (includes outstanding loan interest of £11k), £50k of which was loaned back to the Group by a shareholder. This has been included under "Other loan", and is repayable between June 2014 and June 2018. Interest is charged at a rate of 9%.

20 SHARE CAPITAL

	2013 £000	2012 £000
Authorised		
1,000,000,000 (2013: 1,000,000,000) Ordinary shares of 1p each	**10,000**	10,000
Allotted, called up and fully paid		
27,777,308 (2013 : 19,368,242) Ordinary shares of 1p each	**278**	194

During the year 4,833,334 ordinary shares of 1p each at a market price of 15p were issued raising £725k, £635k net (less share issue costs of £89k).

During the year 833,334 ordinary shares of 1p each at a market price of 15p were issued in consideration of £125k the loan stock conversion

During the year 2,601,156 ordinary shares of 1p each at a market price of 17.32p were issued as part of the Opus Instruments acquisition totalling £450k.

During the year a further 141,242 ordinary shares of 1p each at a market price of 17.7p were issued totalling £25k in part consideration for a software licence.

711,528 ordinary shares (2013: 711,528) are held by the Synoptics Employee Benefit Trust and are reserved for providing employee benefits such as satisfying the exercise of share options.

21 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.

	(Loss)/Profit attributable to shareholders £000	Weighted average number of shares	Basic (loss)/earnings per share amount in pence
Year ended 30 April 2014	**(38)**	**24,471,226**	**(0.16)**
Year ended 30 April 2013	192	18,323,464	1.05

The calculation of the 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.

	Diluted (loss)/ earnings per share amount in pence
Year ended 30 April 2014	**(0.16)**
Year ended 30 April 2013	1.01

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

	2014	2013
Weighted average number of ordinary shares used for basic earnings per share	**24,471,226**	18,323,464
Weighted average number of ordinary shares under option	**993,000**	659,063
Weighted average number of ordinary shares used for diluted earnings per share	**25,464,226**	18,982,527

In 2014, as the company has made a loss, the dilutive earnings per share is based on the basic earnings per share.

22 OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

The Group	**Investment in own shares £000**
At 31 May 2013 and 30 April 2014	**85**

As at 30 April 2014 the trust held 711,528 shares in Scientific Digital Imaging Plc.

23 OPERATING LEASING COMMITMENTS

Future total minimum rental payments under non-cancellable operating leases are as follows;

Group	**2014**		2013	
	Land and Buildings £000	**Other £000**	Land and Buildings £000	Other £000
In one year or less	**28**	**-**	70	-
Between one and five years	**207**	**39**	20	13
	235	**39**	90	13

Lease payments recognised as an expense during the year amount to £122k (2013: £120k).

Synoptics Limited have a rental contract for the office building rented since 1996 at Beacon House, Nuffield Road, Cambridge which expires in September 2014. We have agreed new terms which are currently being drafted into a new lease.

Synoptics Inc. have a rental contract for the office building rented since January 2003 at Frederick, Maryland. This lease has been renewed until July 2018 and includes a 3% per year increase clause for the duration of the lease.

Artemis CCD Limited has a lease on an office building at Lodge Farm Barns, New Road, Bawburgh, Norwich. The lease commenced on 1 May 2012 and expires on 31 March 2017. Artemis CCD Limited shall be entitled to terminate the lease 18 months and 36 months from the commencement date serving six months prior written notice.

24 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

The Group's related parties comprise its Board of Directors and shareholders. Transactions with Directors are disclosed within the Directors' Remuneration Report and note 7. A £50k loan was provided by Dana Investment BV, a shareholder, during the year on conversion of the loan stock. This balance is outstanding in full at the year end. £3k interest was paid in the year. Unless otherwise stated, none of the transactions incorporated in these financial statements include any special terms or conditions. There is no ultimate controlling party.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments

The Group uses various financial instruments, including assets, liabilities, short term loans and loan stock. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, primarily interest rate risk and currency risk.

Interest rate risk

The Group finances its operations through a mixture of retained profits, short term bank borrowings, loan stock and shareholders' equity. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities for the bank overdraft and invoice discounting facility.

Currency risk

A significant proportion of the Group's assets are denoted in Dollars and Euros but only a small amount are within an entity with a differing functional currency. An adverse movement in exchange rate could lead to a devaluation of these assets. As at 30 April 2014 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £36k (2013: £nil). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £15k (2013: £nil)

The carrying amount of the Group's Dollar- and Euro-denominated monetary assets with a differing functional currency at the reporting date is as follows:

	Assets	
	2014	2013
	£000	£000
US Dollars	**36**	41
Euros	**15**	15

In addition an element of the Group's revenue and overhead transactions is completed in a foreign currency. Transaction exposure is hedged through the use of currency accounts.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £1,800k (2013: £1,855k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

The principal credit risks lies with trade receivables. In order to manage credit risk credit limits are set for customers based on a combination of payment history and third party credit references. Details of overdue trade receivables are provided in Note 14.

Liquidity risk

The Group monitors its liquidity by monitoring cash outflows and available credit facilities on a regular basis. The funding for long term liquidity is additionally secured by an adequate amount of external credit facilities.

As at 30 April 2014, the Group's financial liabilities have contractual maturities as summarised below:

	Current		**Non-current**	
	Within 6 months £000	**Between 6 and 12 months £000**	**Between 1 and 5 years £000**	**Later than 5 years £000**
Trade and other payables	**1,355**	**-**	**-**	**-**
Borrowings	**138**	**61**	**272**	**-**
Contingent consideration	**36**	**36**	**189**	**-**

	Current		Non-current	
As at 30 April 2013	Within 6 months £000	Between 6 and 12 months £000	Between 1 and 5 years £000	Later than 5 years £000
Trade and other payables	1,273	-	-	-
Borrowings	458	14	38	-

26 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY IAS 39 CATEGORY

The carrying amounts of the Group’s financial assets and liabilities as recognised at the balance sheet date of the years under review may also be categorised as follows;

Balance sheet headings	**Loans and other receivables 2014 £000**	**Non financial assets 2014 £000**	**Financial liabilities at amortised cost 2014 £000**	**Financial liabilities measured at fair value through profit and loss 2014 £000**	**Non financial liabilities 2014 £000**	**Total balance sheet heading 2014 £000**
Bank	**539**	**-**	**-**	**-**	**-**	**539**
Trade receivables	**1,146**	**-**	**-**	**-**	**-**	**1,146**
Other receivables	**40**	**116**	**-**	**-**	**-**	**156**
VAT and taxation	**-**	**-**	**-**	**-**	**(113)**	**(113)**
Bank finance – current	**-**	**-**	**(168)**	**-**	**-**	**(168)**
Bank finance – non current	**-**	**-**	**(183)**	**-**	**-**	**(183)**
Trade payables	**-**	**-**	**(717)**	**-**	**-**	**(717)**
Finance lease liability – current	**-**	**-**	**(31)**	**-**	**-**	**(31)**
Finance lease liability – non current	**-**	**-**	**(39)**	**-**	**-**	**(39)**
Other payables and accruals	**-**	**-**	**(556)**	**-**	**-**	**(556)**
Contingent consideration	**-**	**-**	**-**	**(265)**	**-**	**(265)**

Other loan	**-**	**-**	**(50)**	**-**	**-**	**(50)**
Total	**1,725**	**116**	**(1,744)**	**(265)**	**(113)**	**(281)**

Balance sheet headings	Loans and other receivables 2013 £000	Non financial assets 2013 £000	Financial Liabilities 2013 £000	Non financial liabilities 2013 £000	Total balance sheet heading 2013 £000
Cash at bank	388	-	(75)	-	313
Trade receivables	1,284	-	-	-	1,284
Other receivables	66	65	-	-	131
VAT and taxation	-	52	-	(132)	(80)
Loan stock	-	-	(368)	-	(368)
Trade payables	-	-	(645)	-	(645)
Finance lease liability – current	-	-	(28)	-	(28)
Finance lease liability – non current	-	-	(38)	-	(38)
Other payables and accruals	-	-	(646)	-	(646)
Total	1,738	117	(1,800)	(132)	(77)

The fair values of the financial assets and liabilities at 30 April 2014 and 30 April 2013 are not materially different from their book values.

27 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders; and
- be in a position to make acquisitions ('buy and build' strategy)

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet.

Although the Group is not constrained by any externally imposed capital requirements, its goal is to maximise its capital-to-overall-financing ratio by reducing borrowings.

	2014 £000	2013 £000
Capital		
Total equity	**3,253**	2,124
Less cash and cash equivalents	**(539)**	(388)
	2,714	1,736
Overall financing		
Total equity	**3,253**	2,124
Plus borrowings	**471**	510
	3,724	2,634
Capital-to-overall-financing ratio	**72.9%**	65.9%

28 ACQUISITIONS

On 13 February 2014, the Company acquired the entire share capital of Opus Instruments Limited, a company incorporated in England and Wales, for a consideration payable in cash and shares.

The assets and liabilities acquired were as follows:

	Book value	Fair Value adjustment	Fair Value
	£000	£000	£000
Assets			
Non-current assets			
Intangible assets – trade names	-	40	40
Current assets			
Stock	82	-	82
Cash and cash equivalents	207	-	207
VAT	18	-	18
Liabilities			
Trade and other payables	(12)	-	(12)
Corporation tax	(43)	-	(43)
Net assets acquired	252	40	**292**
Goodwill			**952**
Consideration and cost of investment			**1,244**
Fair value of consideration transferred			
Shares issued			450
Cash payment paid in year			480
Cash payment due < 1 year			49
Contingent consideration due < current			76
Contingent consideration due > non current			189
			1,244

The acquisition of Opus, consists of (i) initial consideration of £979k, and (ii) contingent payments of up to a further £300k depending on the revenues received by the Company from the sale of Osiris cameras in the three years following the acquisition. The initial consideration comprised a cash payment of £275k on completion (funded by a new bank facility), a further payment of £254k of which £205k has been paid in the year (dependent on the net assets of Opus at completion), and the issue of 2,601,156 new SDI ordinary shares (the “Consideration Shares”). The number of Consideration Shares issued was based on the average of the five most recent daily mid-market closing prices calculated at the close of business on 11 February 2014. The further cash payments of up to £300k will be payable in quarterly instalments, based on a percentage of quarterly revenue over the next three years as stated below (see note 29). £265k represents an approximation of the present value of the Group’s estimate of cash flow. Acquisition costs amounting to £28k have been recognised as an administration expense in the consolidated profit and loss. Goodwill of £952k is primarily related to expected future profitability and growth expectations. Laurence Robinson, one of the founders of Opus, will continue to provide consultancy services to Opus following completion. The consultancy services are not linked to the contingent consideration. Based in Bassingbourn, near SDI’s head office in Cambridge, Opus achieved sales of £293k (unaudited) and post-tax profits of £94k (unaudited) for the 12 month period ending 30 April 2013. Opus had net assets as at 30 April 2013 of £82k (unaudited). The acquisition of Opus is expected to be earnings enhancing and cash generative for SDI from the full year commencing 1 May 2014. Opus provides SDI with an existing product, Osiris, which is used to examine works of art, but also with an infrared camera technology with other potential digital imaging applications.

If Opus was acquired at 1 May 2013 the business would have increased the revenues by £431k and profits by £159k. As the business was only acquired on 13 February 2014 the business generated £nil revenue and losses of £15k.

Following a detailed review of the fair value of assets and liabilities acquired, in accordance with IFRS 3 Business Combinations, the Group recognised one intangible asset, totalling £40k which related to the trade name.

29 FAIR VALUE MEASUREMENT

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	2014	2013
	£000	£000
Contingent consideration re Opus acquisition – current	**76**	-
Contingent consideration re Opus acquisition – non current	**189**	
	265	-

The fair value of contingent consideration was calculated based on management's assumptions regarding future performance (note 28). The fair value measurement is classified as level 3 (inobservable inputs). It uses financial forecasts developed using the entity's own data, to predict revenue levels over the next 3 years.

The provision for consideration of £265,000 is based on Opus achieving the revenue targets in full,discounting using a discount rate of 6.1%. The maximum amount payable is £300k should all the revenue targets be achieved and the minimum amount payable is £nil if no revenue is achieved.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIENTIFIC DIGITAL IMAGING PLC

We have audited the parent company financial statements of Scientific Digital Imaging plc for the year ended 30 April 2014 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Councils website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2014
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made in the basis of preparation on page 27 and further explained in the strategic report on page 10 concerning the company and the group's ability to continue as a going concern. The group incurred a net loss of £38,000 during the year ended 30 April 2014 and relies on the availability of bank facilities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company and the group's ability to continue as a going concern. The financial statements do not include the adjustments that would occur if the company and the group were unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the group financial statements of Scientific Digital Imaging plc for the year ended 30 April 2014.

James Brown
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

8 August 2014

Company Balance Sheet
For the year ended 30 April 2014

	Note	2014 £000	2013 £000
Fixed assets			
Investments	5	**1,893**	649
Intangible assets	6	**48**	-
		1,941	649
Current assets			
Debtors	7	**48**	96
Cash at bank and in hand	8	**13**	-
		61	96
Creditors: amounts falling due within one year	9	**(350)**	(646)
Net current liabilities		**(289)**	(550)
Total assets less current liabilities		**1,652**	99
Creditors: amounts falling due after more than one year	10	**(422)**	-
Net assets		**1,230**	99
Capital and reserves			
Called up share capital	12	**278**	194
Share premium account		**1,063**	335
Other reserves		**65**	96
Merger relief reserve		**424**	-
Profit and loss account		**(600)**	(526)
Shareholders' funds		**1,230**	99

The financial statements were approved by the Board of Directors on 8 August 2014

KenFord
Chairman

Mike Creedon
Chief Executive Officer

Company registration number: 6385396

1 PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with United Kingdom accounting standards. The directors have concluded that the going concern basis remains appropriate in the preparation of the company financial statements as explained in the note on going concern in the Strategic Report on page 10.

The principal accounting policies of the Company are set out below and have remained unchanged from the previous year.

INVESTMENTS

On the acquisition of Synoptics Limited, Scientific Digital Imaging plc qualified for merger relief under Companies Act 2006 s612, and has recorded the investment in Synoptics Limited at the nominal value of the shares issued, less provision for impairment. The shares issued on acquisition of Opus Instruments Limited also qualified for merger relief under Companies Act 2006 s612 and so the premium has been classified as a merger relief reserve. All other investments are recorded at cost, less provision for impairment.

SHARE OPTIONS

Scientific Digital Imaging plc issues share options to employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the profit and loss account over the vesting period of the option. The amount to be expensed is determined by reference to the fair value of the options at the grant date adjusted for the estimate of the number expected to vest. All current share options have been issued to staff at Synoptics Limited, Scientific Digital Imaging plc and Synoptics Inc. The expense relating to these options is recognised in the relevant subsidiary profit and loss account. The carrying value of the investment in those subsidiaries is increased by an amount equal to the value of the share based payment charge attributable to the option holders in the respective subsidiaries.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that results in a residual interest in the assets of the Company after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial asset to another entity.

Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability. Financial liabilities are presented under creditors on the balance sheet.

COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments comprise both a liability and equity component. In accordance with Financial Reporting Standard (FRS) 25 Financial Instruments: Disclosure and Presentation such instruments are to be split into their debt and equity elements, with each element being accounted for separately. This shows the different future obligations arising from each element of the instrument.

At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument without the equity component. The residual is the difference between the net proceeds of issue and the liability component (at time of issue) and is accounted for as an equity instrument.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the financial liability. On conversion the equity component is transferred into the retained earnings reserve, and the liability component offset against the cash paid and shares issued.

RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard Number 8: Related Party Disclosures, the Company is exempt from disclosing transactions with wholly owned entities that are part of the Group headed by Scientific Digital Imaging plc as it is a parent company publishing group financial statements.

2 EMPLOYEE REMUNERATION

Remuneration in respect of Directors paid by the Company was as follows:

	2014	2013
	£000	£000
Emoluments	**164**	147
Pension	**4**	3
Amounts payable to third parties in respect of Directors' services	**-**	-
	168	150

During the period no Directors exercised any share options held over ordinary shares of Scientific Digital Imaging plc.

Details of Directors' interests in the shares and options of the Company are provided in the Remuneration Committee report on pages 17 and 18. The highest paid Director's aggregate entitlements were £103k (2013: £104k). Company pension contributions of £4k (2013: £3k) were made to a money purchase scheme. As at 30 April 2014 the highest paid Director held a total of 285,000 share options (2013: 285,000 share options).

3 AUDITOR'S REMUNERATION

Auditor's remuneration attributable to the Company is as follows:

	2014	2013
	£000	£000
Tax advice	**1**	1
Statutory audit	**8**	8

4 RESULTS FOR THE YEAR

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's own loss for the financial period was £115k (2013: profit of £5k).

5 INVESTMENTS

Investments in Group undertakings

	£000
Cost and net book amount as at 1 May 2013	**649**
Capital contributions in respect of share based payments	**-**
Acquisition of Opus Instruments Limited	**1,244**

At 30 April 2014	**1,893**

5 INVESTMENTS (continued)

Details of the investments are as follows:

Subsidiary undertakings	**Country of incorporation**	**Holdings**	**Proportion of voting rights**	**Nature of business**
Synoptics Limited	England and Wales	Ordinary shares	100%	Manufacturer
Artemis CCD Limited	England and Wales	Ordinary shares	100%	Design
Perseu Comercio De Equipamento Para Informatica E Astronomica SA	Portugal	Ordinary Shares	100%	Manufacturer
Opus Instruments Limited	England and Wales	Ordinary Shares	100%	Design and Manufacturer

The following companies are all held by Synoptics Limited:

Image Techniques of Cambridge Limited	England and Wales	Ordinary Shares	100%	Dormant
Myriad Solutions Limited	England and Wales	Ordinary Shares	100%	Dormant
Synoptics Inc	USA	Ordinary Shares	100%	Distributor

Each of the above investments has been included in the consolidated financial statements.

6 INTANGIBLE ASSETS

Software licence

	£000
Cost	
Additions	**50**
At 30 April 2014	**50**
Amortisation	
Charge for year	**2**
At 30 April 2014	**2**
Net book value	
At 30 April 2014	**48**
At 30 April 2013	**-**

7 DEBTORS

	2014 £000	2013 £000
Amounts due by other Group companies	**37**	91
Other debtors	**11**	5
	48	96

All debtors fall due within one year of the balance sheet date.

8 CASH AT BANK AND IN HAND

Cash at bank and in hand	**13**	96

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £000	2013 £000
Trade creditors	**40**	-
Amounts owed to other Group companies	**66**	240
Loan stock	**-**	368
Bank loan	**99**	-
Accruals	**19**	-
Other creditors	**126**	38
	350	646

10 CREDITORS: AMOUNTS FALLING DUE AFTER AFTER YEAR

	2014 £000	2013 £000
Bank loan	**183**	-
Other loan	**50**	-
Other creditors	**189**	-
	422	-

11 BORROWINGS

	2014 £000	2013 £000
Amounts repayable:		
In one year or less		
Loan stock	**-**	368
Bank loan	**99**	-
In more than one year but not more than two years		
Bank loan	**100**	-
Other loan	**50**	-

In more than two years but not more than five years		
Bank loan	**83**	
	332	-

Bank finance relates to amounts drawn down under the Group's invoice discounting facility and bank loans, secured by a fixed and floating charge over the Group's undertakings. The bank loan taken out to finance the acquisition of Opus Instruments is repayable in monthly instalments and attract interest at a rate of 5.6% over base rate.

Loan stock of £368k was converted into 833,334 ordinary shares of 15 pence each and cash of £254k (includes outstanding loan interest of £11k), £50k of which was loaned back to the Group. This has been included under "Other loan".

12 CALLED UP SHARE CAPITAL

	2014 **£000**	2013 £000
Authorised		
1,000,000,000 ordinary shares of 1p each	**10,000**	10,000
Allotted, called up and fully paid		
27,777,308 (2013:19,368,242) ordinary shares of 1p each	**278**	194

During the year 4,833,334 ordinary shares of 1p each at a market price of 15p were issued raising £725k gross, £635k net (less share issue costs of £89k).

During the year 833,334 ordinary shares of 1p each at a market price of 15p were issued in consideration of £125k loan stock conversion

During the year 2,601,156 ordinary shares of 1p each at a market price of 17.32p were issued as part of the Opus Instruments acquisition totalling £450k. Merger relief has been taken for this share issue.

During the year a further 141,242 ordinary shares of 1p each at a market price of 17.7p were issued totalling £25k in part consideration for a software licence.

711,528 Ordinary shares are held by the Synoptics Employee Benefit Trust and are reserved for issue under options.

Share options

Two employee share option schemes (an EMI scheme and an approved scheme) have been established, under which options may be granted to employees (including Directors) to subscribe for Ordinary shares in the Company. A further share option scheme (unapproved scheme) has been established under which options may be granted to employees and Directors to subscribe for Ordinary shares in the Company. All schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs.

A summary of options outstanding currently is provided in Note 7 to the consolidated financial statements.

13 RESERVES

	Share capital	Share premium	Merger relief reserve	Other reserves	Profit and loss account	**Total**

	£000	£000	£000	£000	£000	**£000**
Balance at 1 May 2013	194	335	-	96	(526)	**99**
Loss for the year	-	-	-	-	(115)	**(115)**
Reserve transfer on issue of loan stock	-	-	-	(41)	41	**-**
Share based payment	-	-	-	10	-	**10**
Shares issued	84	728	424	-	-	**1,236**
Balance at 30 April 2014	**278**	**1,063**	**424**	**65**	**(600)**	**1,230**