Annual Report & Accounts 2012
Scientific Digital Imaging plc

SDI

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

The principal subsidiary is Synoptics, which designs and manufactures special-purpose instruments for use in the life sciences. In October 2008 SDI acquired the entire share capital of Artemis and Perseu, 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.

SDI, through its subsidiaries, offers a range of digital imaging solutions and intends to acquire other companies that are capable of contributing one or more key elements to the solutions required including an in-depth understanding of the applications in the marketplace, the ability to engineer complete systems to address such applications and the provision of key, high-performance components such as cameras.

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Company Information

Company registration number
6385396

Registered office
Beacon House
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Cambridge
CB4 1TF

Directors
H L Tee CBE
Chairman

J Gibbs
Deputy Chairman

Dr A J B Simon
Non-Executive Director

E K Ford
Non-Executive Director

M Creedon
Chief Executive Officer

Chief Executive Officer
M Creedon

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Solicitors
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Auditor
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Chairman's Statement

Overview

Despite continuing challenging trading conditions, the year ending 30 April 2012 has been a year of change for Scientific Digital Imaging plc ("SDI") resulting in the Board having greater confidence of improving prospects.

Group revenues in the year decreased marginally, but operational profitability improved following the re-organisation and refocusing of the Group in mid-year. Additionally product margins have improved and as a result of these successful outcomes, SDI is well positioned for ongoing profitable growth.

Financial Results

Revenue for the period fell marginally to £7.2m (2011: £7.3m), a decrease of 1.6% predominantly as a result of difficult trading conditions in Europe and the USA.

Despite a fall in overall revenue, the Group reported an operating profit for the year of £157k before reorganisation costs of £73k (2011: loss £94k) This result is inclusive of currency gains/losses. Basic earnings per share were 0.11p and diluted earnings per share were 0.10p compared with 2011 which reported basic loss per share and diluted loss per share of 1.14p.

Operating activities resulted in a cash inflow (which included a payment of deferred commissions to an overseas agent) of £511k (2011: cash outflow £187k). The liability component of the convertible loan stock, issued to fund the Group's admission to AIM, stood at £368k (2011: £360k) at the end of the period, and total borrowings stood at £537k (2011: £529k). Cash and cash equivalents were £285k at the end of the period (2011: £158k). The Group's net debt position was reduced to £252k during the year, an improvement of £119k on 2011. SDI has continued to invest in the future with research and development expensed of £494k (2011: £368k) and £229k (2011: £252k) capitalised. Research and development expensed of was 10.1% of sales revenue compared to 8.5% in 2011. The Board believes these investments will bring benefits in future years.

Strategy

During the year, no acquisitions were completed, efforts having been devoted instead to improving operational performance. The Board believes that continuing to add new businesses with complementary product portfolios, as well as investing in technology to take advantage of under-exploited market niches such as colony identification and healthcare, will strengthen the Group and contribute to stronger growth when trading conditions recover.

Reorganisation

Customers in our traditional markets continue to see budgets under pressure, resulting in the trend towards lower-end products at lower margins. To address this challenge, the Group has been restructured to significantly reduce the cost base and this is complemented by a drive to source components more cost-effectively, ensuring we deliver competitively priced products that appeal to our global markets.

> "I am happy to be able to say that SDI has effectively turned the corner and is now on an upward trajectory"

The review of group structure and operations is now complete and Mike Creedon has been appointed Chief Executive Officer. SDI's infrastructure in terms of financing and technology portfolio is now in place and the Group is expected to make progress in the coming year.

Current Trading and Outlook

Continuing to focus on maintaining our position in the key life science imaging sector, as well as finding new niche applications for our technology will help us to grow the business effectively in the face of a continued uncertain economic outlook.

The developing markets of India and China continue to invest in many of our imaging products and the company has recently received its largest ever single order for Synbiosis products from UNICEF. We will continue to actively promote our products on a world-wide basis but we see Asia as an area of particular interest.

Atik, our camera brand, has continued to grow its share of the amateur astronomy market and this success has offset the downturn in consumer spending.

The Board is confident that the reorganisation and refocusing of the company will bring improved operational performance in the near term. Our products are "best in class", a view supported by the UNICEF order and we believe our customers in our US and European markets will return to more normal spending patterns when budgets are restored. The company's new products, particularly in the colony counting and plant imaging sectors, show commitment to innovation and we believe they will capture a large market share, especially in the developing world.

Staff

On behalf of the Board I would like to thank our staff sincerely. All of them have worked conscientiously and with great commitment during this continuing difficult period.

There is now a "buzz" around SDI, that we haven't seen for some time.

Having chaired SDI for the past 4 years I have decided, purely for personal reasons, to retire at the Company's Annual General Meeting on 11 September 2012, but I will be retaining my shareholding. It has been a great pleasure working with the staff at SDI and I wish the Group every success in the future. The Board has decided to appoint Ken Ford as the new Chairman and I am sure he will have the full support of members and employees alike.

H L Tee CBE
Chairman

24 July 2012

Board of Director's

Harry Tee CBE [1]

Chairman

Harry Tee CBE joined the Board in 2008 and brings to SDI considerable experience of public and private companies. In 1990 he founded The Roxboro Group plc, now known as Dialight, which listed on the Official List of the London Stock Exchange in 1994. He is now chairman of Dialight plc.

Mr Tee is a recognised leader within the UK electronics industry and in 2005 was invited to take the role of Chairman of the Electronics Leadership Council, a position he held until November 2010. He was honoured with a CBE in 2008 for his services to the electronics industry.

Mike Creedon [2]

Executive Director

Mike Creedon joined the Board in May 2010. A Chartered Certified Accountant, Mike brings to SDI considerable experience of working within quoted companies and technology businesses, and of fundraisings, mergers and acquisitions. In particular, he has recent experience of AIM-listed technology companies. Previous finance director posts include Innovision Limited, a subsidiary of the NASDAQ listed company, Leitch Technology Corp., Ninth Floor plc and Ideal Shopping Direct plc.

Ken Ford [3]

Non-executive director

Ken Ford joined the Board in March 2010. He was previously Chief Executive of Teather & Greenwood, the investment bank, and brings over 36 years City experience to the Company including a strong understanding of shareholder value, strategic planning and corporate transactions. Ken's previous roles include Aberdeen Asset Management, Morgan Grenfell and Wedd Durlacher. Ken is currently a director at AIM-listed companies BrainJuicer Group and Highams Systems Services Group.

Jeremy Gibbs [4]

Deputy Chairman

Jeremy Gibbs has a degree in Engineering Science from Balliol College, Oxford, and he is a Chartered Mechanical Engineer and Chartered Electrical Engineer. He has over 30 years' management experience, including start-ups, blue chips and university spin-outs. Mr Gibbs was a non-executive director, then chairman, of NASDAQ-listed Futuremedia plc from 1997 to 2001. He is currently CEO of New College of the Humanities in London. Mr Gibbs was a Director of Synoptics from 2001 to 2008. He serves as Chairman of the Remuneration Committee.

Ann Simon [5]

Non-executive director

Ann Simon joined the Board in March 2010 and has worked in finance, particularly listed companies in the healthcare and technology sectors, since 1985. She has managed IPOs (London full list and AIM), corporate acquisitions and trade sales and fund raisings in the public and private markets. Prior to that she undertook corporate finance advisory work at Cazenove & Co. over a period of more than ten years, for clients ranging from start-ups to FTSE100 companies. Dr Simon serves as chairman of the Audit Committee.

Chief Executive's Operating Report

Scientific Digital Imaging plc designs and manufactures applications of digital imaging technology for use by the scientific community, through its four brands Syngene, Synbiosis, Syncroscopy and Atik.

Synoptics

Synoptics designs and manufactures scientific instruments based on digital imaging technology, mainly for the life science, microbiology and microscopy markets.

Synoptics offers its products under three marketing brands, each targeting a different sector of these three market areas.

Syngene

Syngene provides software, systems and reagents for documenting and analysing 'gels' used by molecular biologists in genomic and proteomic studies. Syngene is the largest of the three Synoptics brands. Almost all research in the biological sciences involves an understanding of the underlying molecular processes involving DNA, RNA and proteins, and gel electrophoresis is an essential process in many laboratories working in this field.

Whilst the range of applications addressed by Syngene is an important part of almost every life sciences facility, the market has noticeably shifted its emphasis towards the lower end of the cost spectrum. Unfortunately, competition is more intense in this arena, with a consequent impact on the margin. We have addressed this by re-engineering the low end products to attract a more favourable margin which was only effective in the latter months of the financial year but will have an impact in 2012-13.

Syngene has in 2012 launched the PXi ("Pixie"), a new high-end gel documentation system with improved imaging specifications and a small footprint. This system has had positive feedback, particularly in Asia, where lab space is at a premium and smaller format gels are routinely used in research. During the period, we have also repositioned two products to introduce new mid-range products, the G: BOX F^3 and U: Genius^3. Again production and build costs of both these systems have been reduced to improve gross margins. There has been a move to supply OEM products including "safe" transilluminators and "safe" dyes so that Syngene offers a more integrated range of equipment and consumables. This means that scientists can order all their day-to-day imaging products from us and because this is preferred by them, could increase our sales volume.

Our existing and new products are particularly strong in the area of imaging multiple fluorescent dyes, especially in the infrared spectrum. Our equipment has been found to perform as well as other laser-based technologies and it is more flexible in application.

To ensure that Syngene builds a strong sales and marketing support for these products, we have recently invested in two dedicated sales people for the UK and Europe, where our sales were flat in year 2011/12. Our performance in the Asian market has remained encouraging, with our Japanese distributors reporting strong sales of our new In Genius^3. In the US, we are pleased with the results of our continuing efforts to build the Syngene brand there, but continued government cutbacks have had an impact on customer funding and consequently sales. We have strengthened our representation in South America and in Canada, where a number of our competitors are based.

Synbiosis

The Synbiosis products developed by Synoptics provides systems and software for microbiologists.

> "Investment in technology within under-exploited market niches in plant imaging and colony identification"

Chief Executive's Operating Report

In particular, it makes a range of instruments for measuring the results of microbiological tests for the food, water and pharmaceutical markets. These systems bring benefits to the customer in the form of reduced labour costs and more reproducible results, and by facilitating the automatic recording of samples for audit purposes – the latter becoming increasingly important as microbiological testing becomes more regulated in the pharmaceutical market sector.

Like the Syngene brand, this sector of the microbiology imaging market has also increasingly seen purchases of low-cost products and Synbiosis has put in place an OEM agreement to supply a low-cost semi automated colony counter which ensures we offer an entry level system.

Our high end-colony counter and zone sizing system ProtoCOL 3 has been introduced this year and because this is modular, it offers a cost-effective purchase to customers. This system includes statistical analysis software and is the first on the market to generate antibiotic and vaccine potency analysis automatically from count and zone data. The ProtoCOL 3 enables scientists to obtain data on the efficacy of their vaccines or antibiotics directly. This innovation has provided a distinct competitive advantage. We have received our single largest order since inception to install 27 ProtoCOL 3 systems on behalf of UNICEF.

Syncroscopy

The Syncroscopy products provide digital imaging software to microscope users. Its main product is Auto-Montage, a software package that allows customers to overcome the limited depth of field in an optical microscope. Auto-Montage is principally sold by Leica Microsystems, a leading microscope manufacturer. The software is offered as an option as part of Leica's LAS software suite. This product is focused on entomology applications and is being championed by staff at the AntWeb project based at the California Academy of Sciences. Additionally, work has begun with the Natural History Museum this year and has again provided us with some excellent publicity that was featured by the BBC.

New developments

In the period, Synoptics has entered a strategic collaboration with Queen Mary University of London (QMUL) for the development of novel technology based on our successful Syngene equipment which uses fluorescence to detect proteins. The system, for which patent applications have been filed is being developed by Synoptics and will be used in conjunction with a dye (patent pending) developed by QMUL to verify the cleanliness of surgical instruments by measuring residual protein contamination after the washing process. The equipment could help to prevent hospital infections by protein based prions that cause diseases such as variant Creutzfeldt – Jakob disease (vCJD).

The technologies being used today for measuring protein contamination has been proven to give "false negative" results. The Department of Health (England) has published an updated guidance document (CFPP 01-01) on all aspects of decontamination in UK hospitals.

Our prototype system has been used in the Department of Health (England) pilot studies in the development and evaluation of protein detection and quantification techniques for use with instruments following washing and disinfection giving successful results.

We plan to introduce a new brand, Synoptics Health to commercialise this fluorescence detection technology into the hospital-based testing market in Q3. This will provide us with a first mover advantage in this currently untapped market sector.

Atik

Atik manufactures high-sensitivity cameras for deep-sky astronomical and life science imaging. Atik again grew well again this year, and continues to improve its Quality Assurance by automating the process of testing cameras in production to reduce the time taken, remove subjectivity and increase the statistical and individual information retained.

Atik has concentrated its efforts this year on two main objectives: to increase its share of the amateur astronomy market and to prepare for increasing activity in the scientific and OEM sectors.

Discretionary consumer spending, including that on hobbies such as astronomy, is under pressure. This is particularly true of Atik's core market in Europe where competition comes from brands originating from East and West. Atik is resisting the pressure to move to niche high-end products and continues to offer high quality, affordable products to main-stream astronomers.

During the year Atik was able to introduce a new camera platform named the 4 series. This is optimised for astronomy and, in a departure from Atik other products, is packaged in a narrow cylindrical case perfect for the popular HyperStar type telescopes. The camera platform supports a number of high resolution Sony sensors including the new exview types which are particularly sensitive and offer outstanding value when with packaged with our low noise cameras. Atik is now selling 4 models of the 4 series cameras all able to work well with moderately priced telescopes and targeting 'typical' astronomers.

Amateur astronomy in North America has been dominated by American brands and large dealerships to the point where it has been difficult for Atik to gain a toe hold and the credibility required to address this market. This year has seen a change with the advertising, promotion we have been involved with for several years translating into significant amount of our sales now going to America. We are now in an ideal position to continue to build on this and we hope to see several years of increasing sales in North America.

In production Atik has introduced a raft of new testing, quality control, and enhanced characterisation of their camera products. With these in place we hope to improve further on our low levels of camera returns and prepare ourselves for the demanding OEM market.

During the financial year the Group has invested in additional Atik staff in R & D and also in additional facilities in Norwich. It will continue to invest in further staff during the following financial year to increase its activity within the OEM sector.

Several new OEM relationships were established during the period and regular shipments of modified cameras have begun.

Summary

At Synoptics, Syngene has introduced new imaging systems, which are selling well and the new Synbiosis ProtoCOL 3 colony counter is proving to be very successful. All these products are now producing increased margins, which is having a positive impact on profitability. The new potential in hospital surgical instrument contamination may take time to develop but the longer term potential could be very significant.

Atik has improved sales thanks to both intra-group revenues from Synoptics and to growth in its amateur astronomy market.

SDI now has a stronger base upon which to build and we expect to see continued improvements in the coming year.

> "Development of a new prototype imaging system for untapped sector of healthcare market"

Financial Review

Group Summary

Group revenue for the year fell by 1.6% to £7.2m (2011: £7.3m).

Gross profit remained at £4.1m (2011: £4.1m) with improved gross margins, 56.9% (2011: 56.1%).

Operating profit for the year was £157k before reorganisation costs of £73k (2011: loss £94k).

Investment in R&D

Expenditure expensed on research and development in the current year was £494k, representing 6.9% of Group sales (2011: £368k representing 5.1% of Group sales). Under IFRS we are required to capitalise certain development expenditure and in the year ending 30 April 2012 £229k 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 2012 was £235k (2011: £198k). The carrying value of the capitalised development at 30 April 2012 was £454k (2011: £460k) to be amortised over three years.

Reorganisation Costs

The board has carried out a thorough review of the operations and structures of the Group. The cost of the review and reorganisation was £73k.

Earnings Per Share

Basic earnings per share for Group was 0.11p (2011: loss 1.14p), diluted earnings per share for the Group was 0.10p (2011: loss 1.14p).

Finance Costs and Income

Net financing expense was £64k (2011: £68k). Loan stock interest charges for the year were £34k (2011: £34k). Loan stock of £379k was issued in July 2008.

Taxation

The tax expense is £nil as the tax paid equates to the deferred tax credit in the Group, this is inclusive of any deduction for R & D expenditure.

Cash Flow

During the year the Group had improved cash flow, reporting a cash balance of £285k (2011: £158k) at the year end.

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.

Funding and Deposits

The Group utilises short-term facilities to finance its operations. The Group has one principal banker with an invoice discounting facility of up to £500k. At the year end the Group had cash on the balance sheet. Surplus funds are placed on short-term deposit.

The Group utilises long-term borrowings from the issue of loan stock and finance leases.

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.

Report of the Directors

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 brand Atik), 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 focused strategy of acquiring digital imaging companies in the life sciences sector and in other scientific markets, 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 Chairman's Statement, Chief Executive's Statement and Financial Review, which appear on Pages 2 to 8, give an overview of the performance of the Group during the year and likely future developments.

Key Performance Indicators

The key performance indicators (KPIs) 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. KPI highlights are provided within the Financial Review.

Group Results

The Group profit for the year after taxation amounted to £20k (2011: loss £202k) 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.

H L Tee CBE
P Atkin (resigned as a director on 31 August 2011)
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 15.

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 1 September 2011, 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 £100,000
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £50,000.

Report of the Directors continued

Substantial Shareholdings

	Number of shares	Percentage of the issued class of share capital
Dana Investments BV	3,163,160	16.91%
BP Pension Fund	1,543,648	8.25%
S Chambers (J M Finn Nominees)	1,243,000	6.65%
Parallel Ventures	1,209,704	6.47%
R J Howard (deceased)	1,195,152	6.39%
H L Tee	896,000	4.79%
P Atkin	894,754	4.78%
Synoptics Employee Benefit Trust	711,528	3.80%
R Tripa	666,500	3.56%
Dr. W O Saxton	649,992	3.48%
P Burton	621,040	3.32%

The shares owned by H L Tee include shares held in trust on his behalf. The shares held by P Atkin include shares held by his immediate family.

Structure of Share Capital

As at 30 April 2012 the Company's authorised share capital of £10,000,000 comprised 1,000,000,000 ordinary shares of 1p each.

As at 30 April 2012 the Company had 18,701,742 (2011: 18,682,342) ordinary shares in issue with a nominal value of 1p each.

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.

Supplier Payment Policy and Practice

It is the Company's policy, which is also that applied to the Group, to agree payment terms with suppliers when agreeing the terms of a transaction, to ensure that both parties are aware of these terms. Group trade payables at the year end amounted to 58 days (2011: 69 days) of average supplies.

Going Concern

The Directors, having reviewed the trading forecasts and the cash resources of the group and after making appropriate enquiries, consider that the group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts. The Group utilises short-term facilities to finance its operations with an invoice discounting facility of up to £500k provided by its principal banker.

Loan notes which total £379k at maturity are due for repayment in July 2013. The Board are taking the necessary steps to fund any repayment if required, but expect to manage any repayment via existing working capital.

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.

Financial risk management objectives and policies

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

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. The Group invests in research and development to maintain its competitive advantage.

Staff recruitment and retention
The contribution made by the Group's highly skilled and dedicated staff has been and will continue to be important to the Group's future.

In order to mitigate this risk emphasis is placed upon communication with employees including regular staff meetings. The Group also has in place share ownership schemes and profit share arrangements for all employees.

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.

Auditor
Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 489(4) of the Companies Act 2006.

On behalf of the Board

M Creedon
Chief Executive Officer

Corporate Governance Statement

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.

The workings of the Board and its Committees

The Board

From 1 May 2011 to 31 August 2011 the Board comprised the Chairman, two Executive Directors and three Non-Executive Directors. On 31 August 2011 P Atkin resigned leaving only one Executive Director. 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 and are free from any relationship which could affect the exercise of their independent judgement. Each Non-Executive Director continues to demonstrate that he has sufficient time to devote to the Company's business.

The Non-Executive Directors constructively challenge and assist in developing the strategy of the Group. 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 Company and is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities is given on page 16 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 14 to 15.

Audit Committee

The Audit Committee, which is chaired by A Simon and has J Gibbs, K Ford and H L Tee as members, meets not less than twice annually and more frequently if required. The committee considers that H L Tee should be a member of the committee because of the experience he provides.

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. The Board and Audit committee approved an extension to the engagement term of the Senior Statutory Auditor responsible for the audit opinion in 2012. The term was extended from 5 to 6 years and appropriate rotation is to be applied for 2013. The Audit Committee believes that continuity is important to the quality of the company's audit and is satisfied that this extension has not in any way prejudiced the objectivity and independence of the auditor. 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.

Directors' Remuneration Report

Remuneration Strategy

The Board considers itself to be responsible for the Group's remuneration policy, however it has charged the Remuneration Committee with determining and maintaining remuneration packages for the Company's Chief Executive and senior executives that align executive rewards with shareholder value creation, motivate executives to attain challenging performance levels and consider both individual and Company performance.

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.

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 Company'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:

	Salary / Fees £000	Taxable Benefits £000	Pension £000	2012 Total £000	2011 Total £000
H L Tee	8	–	–	8	32
P Atkin	38	1	2	41	127
J Gibbs	15	–	–	15	16
K Ford	15	–	–	15	16
A Simon	15	–	–	15	16
M Creedon	94	1	–	95	94
	185	2	2	189	301

During the period of reorganisation, August 2011 onwards, the Chairman did not receive any remuneration.

Directors' Beneficial Interests

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

	2012 Number	2011 Number
H L Tee	896,000	896,000
P Atkin	894,754	894,754
K Ford	75,000	75,000
M Creedon	2,000	–

The shares owned by H L Tee include shares held in trust on his behalf. The shares held by P Atkin include shares held by his immediate family.

There has been no change in Directors' holdings since the year end.

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:

	2012 Number	2011 Number
P Atkin	–	160,000
M Creedon	135,000	135,000

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

Directors’ Responsibilities

The directors are responsible for preparing the 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 prepare consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) 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 law). 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 the applicable 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company’s auditors are unaware; and
- the directors have taken all steps that they ought to have taken 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

H L Tee CBE
Chairman

24 July 2012

M J Creedon
Chief Executive Officer

24 July 2012

Report of the Independent Auditor

Independent Auditor's Report to the Members of Scientific Digital Imaging plc

We have audited the consolidated financial statements of Scientific Digital Imaging plc for the year ended 30 April 2012 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 Chapters 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 16, the directors are responsible for the preparation of the consolidated 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 APB's 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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report 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 Matters

We have reported separately on the parent company financial statements of Scientific Digital Imaging plc for the year ended 30 April 2012.

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

24 July 2012

Consolidated Income Statement
for the year ended 30 April 2012

	Note		2012 £000		2011 £000
Revenue	5		7,170		7,287
Cost of sales			(3,090)		(3,197)
Gross Profit			4,080		4,090
– currency exchange gains/(losses)		2		(28)	
– reorganisation costs		(73)		–	
– other administrative expenses		(3,925)		(4,156)	
Total administrative expenses			(3,996)		(4,184)
Operating profit/(loss)			84		(94)
Finance income	8	1		–	
Finance payable and similar charges	8	(65)		(68)	
Net financing expenses			(64)		(68)
Profit/(loss) before tax	6		20		(162)
Income tax expense/ (credit)	9		–		40
Profit/(loss) for the year			20		(202)
Earnings per share					
Basic earnings/(loss) per share	21		0.11p		(1.14p)
Diluted earnings/(loss) per share	21		0.10p		(1.14p)

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 2012

	2012 £000	2011 £000
Profit/(loss) for the period	20	(202)
Other comprehensive income		
Exchange differences on translating foreign operations	(21)	(55)
Total comprehensive loss for the period	(1)	(257)

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

Consolidated Balance Sheet

for the year ended 30 April 2012

	Note	2012 £000	2011 £000
Assets			
Intangible assets	10	726	764
Property, plant and equipment	11	386	416
Deferred tax asset	12	113	113
		1,225	1,293
Current assets			
Inventories	13	826	781
Trade and other receivables	14	1,527	1,404
Cash and cash equivalents	15	285	158
		2,638	2,343
Total assets		3,863	3,636
Liabilities			
Non-current liabilities			
Borrowings	19	423	397
Deferred tax liability	12	138	148
		561	545
Current liabilities			
Trade and other payables	16	1,282	1,054
Provisions for warranty	18	17	17
Borrowings	19	114	132
Current tax payable		–	–
		1,413	1,203
Total liabilities		1,974	1,748
Net assets		1,889	1,888
Equity			
Share capital	20	187	187
Merger reserve		2,606	2,606
Share premium account		262	260
Own shares held by Employee Benefit Trust	22	(85)	(85)
Other reserves		176	176
Foreign exchange reserve		(73)	(52)
Retained earnings		(1,184)	(1,204)
Total Equity		1,889	1,888

The financial statements were approved by the Board of Directors on 24 July 2012.

H L Tee CBE
Chairman

M J Creedon
Chief Executive Officer

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

Company registration number: 6385396

Consolidated Statement of Cashflows

for the year ended 30 April 2012

	2012 £000	2011 £000
Operating activities		
Profit/(loss) for the year	20	(202)
Depreciation and amortisation	457	379
Profit on sale of property, plant and equipment	–	–
Finance costs and income	64	68
Taxation (credit)/expense in the income statement	–	40
Increase/(decrease) in inventories	(45)	(101)
Increase in provisions	–	4
Exchange difference	(26)	(24)
Employee share based payments	–	7
Operating cash flows before movement in working capital	470	171
Changes in trade and other receivables	(136)	(14)
Changes in trade and other payables	228	(252)
Cash generated from operations	562	(95)
Interest paid	(56)	(60)
Income taxes received/(paid)	5	(32)
Cash generated from operating activities	511	(187)
Investing activities		
Capital expenditure	(155)	(342)
Expenditure on development	(229)	(252)
Sale of property, plant and equipment	41	102
Interest received	–	–
Net cash used in investing activities	(343)	(492)
Financing activities		
Movement of finance leases	(21)	(17)
Bank borrowing movement	(25)	116
Issues of shares and warrants	2	–
Net cash from financing	(44)	99
Net changes in cash and cash equivalents	124	(580)
Cash and cash equivalents, beginning of year	158	762
Foreign currency movements on cash balances	3	(24)
Cash and cash equivalents, end of year	285	158

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 2012

	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 2011	187	2,606	(52)	260	(85)	176	(1,204)	1,888
Share options issued	–	–	–	2	–	–	–	2
Transactions with owners	–	–	–	2	–	–	–	2
Profit for the year	–	–	–	–	–	–	20	20
Foreign exchange on consolidation of subsidiaries	–	–	(21)	–	–	–	–	(21)
Total comprehensive income for the period	–	–	(21)	–	–	–	20	(1)
Balance at 30 April 2012	187	2,606	(73)	262	(85)	176	(1,184)	1,889

	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 2010	180	2,606	3	187	(85)	264	(1,017)	2,138
Shares issued as deferred payment	7	–	–	73	–	(80)	–	–
Deferred tax on options	–	–	–	–	–	(15)	15	–
Share based payments	–	–	–	–	–	7	–	7
Transactions with owners	7	–	–	73	–	(88)	15	7
Profit for the year	–	–	–	–	–	–	(202)	(202)
Foreign exchange on consolidation of subsidiaries	–	–	(55)	–	–	–	–	(55)
Total comprehensive income for the period	–	–	(55)	–	–	–	–	(257)
Balance at 30 April 2011	187	2,606	(52)	260	(85)	176	(1,204)	1,888

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

Notes to the Consolidated Financial Statements
for the year ended 30 April 2012

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 2012 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 financial statements have been prepared on the historical cost basis. 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.

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 25). 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 £170k. Other intangibles had a carrying amount of £102k (2011: £134k).

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 2012 is £113k (2011: £113k) of which £112k (2011: £98k) relates to trading losses.

Notes to the Consolidated Financial Statements continued

3 Principal Accounting Policies

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2011.

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 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 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. "Other reserves" includes deferred shares to be issued as consideration as part of the Atik group purchase in prior years. Acquisition costs are expensed 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 the 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 the 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 the 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 estimate 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 the 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. Upon 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.

Notes to the Consolidated Financial Statements continued

3 Principal Accounting Policies continued

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the 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.

A financial asset, in particular the carrying value of trade receivables, is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Any impairment losses are recognised through the profit or loss.

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.

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, deferred shares to be issued as consideration for acquisitions and the equity component of convertible loan stock.
- "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 and bank borrowings. All financial liabilities are measured at fair value plus transaction costs on initial recognition and subsequently are measured at amortised cost.

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 instruments
Compound instruments comprise both a liability and equity component. In accordance with International Accounting Standard (IAS) 32 Financial Instruments: Presentation of 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. The difference between this amount and any repayments is added to the carrying amount of the financial liability.

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 the profit or loss on a straight-line basis over the term of the lease.

Taxation
Income tax expense comprises the 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.

Notes to the Consolidated Financial Statements continued

3 Principal Accounting Policies continued

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 generally 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 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 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 and reported to the Board. 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 weighing 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 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.

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 (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013)

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 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 Alik 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 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

	2012 £000	2011 £000
United Kingdom (country of domicile)	912	701
Germany	505	571
Rest of Europe	1,376	1,756
America	2,138	2,457
Hong Kong	500	679
India	665	300
Rest of Asia	734	609
Rest of World	340	214
	7,170	7,287

Non-current assets by location

	2012 £000	2011 £000
United Kingdom	894	927
Portugal	61	74
America	157	179
	1,112	1,180

Notes to the Consolidated Financial Statements continued

6 Profit/(Loss) Before Taxation

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

	2012 £000	2011 £000
Amortisation on other intangibles (Note 10)	32	32
Depreciation charge for year:		
Property, plant and equipment	169	125
Property, plant and equipment held under finance leases	21	25
(Profit) / loss on disposal of property, plant and equipment	–	–
Research and development costs:		
Expensed as incurred	494	368
Amortisation charge	235	198
Auditor's remuneration Group:		
Audit of group accounts	8	8
Fees paid to the auditor and its associates in respect of other services:		
Audit of Company's subsidiaries	29	28
Tax services	4	4
Other services	2	8
Currency exchange losses and (gains)	(2)	23
Rental of land and buildings	120	113

7 Directors and Employees Remuneration

Staff costs during the year were as follows:

	2012 £000	2011 £000
Wages and salaries	2,140	2,353
Social security costs	225	236
Share based payments	–	7
Other pension costs	65	71
	2,430	2,667

The share based payment charge is included in administration expenses in the Income statement.

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

	2012 Number	2011 Number
Administration	8	8
Production	15	17
Product development	12	12
Sales and marketing	12	13
	47	50

The remuneration of the Directors is set out below:

	Salary / Fees £000	Taxable Benefits £000	Pension £000	2012 Total £000	2011 Total £000
H L Tee	8	–	–	8	32
J Gibbs	15	–	–	15	16
P Atkin	38	1	2	41	127
A Simon	15	–	–	15	16
K Ford	15	–	–	15	16
M Creedon	94	1	–	95	94
	185	2	2	189	301

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £95k (2011: £122k). Company pension contributions of £nil (2011: £5k) were made to a money purchase scheme.

As at 30 April 2012 the highest paid director held a total of 135,000 share options (2011: 160,00 share options). No share options were exercised by any director during the year.

The directors have been identified as key management personnel. Key personnel table:

	2012 £000	2011 £000
Short term employee benefits	208	335
Share based payments	–	2
Total	**208**	337

Share based employee remuneration

Two employee share option schemes (EMI scheme and 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 as follows:

	2012		2011	
	Number of share options	Average exercise price of options	Number of share options	Average exercise price of options
Outstanding at the beginning of the year	1,203,680	£0.129	1,060,680	£0.125
Granted during the year	–	–	143,000	£0.215
Exercised during the year	(19,400)	£0.125	–	£0.125
Expired during the year	(281,080)	£0.125	–	£0.125
Outstanding at the end of the year	903,200	£0.139	1,203,680	£0.129
Exercisable at the end of the year	805,200	£0.125	524,680	£0.125

The share options at the end of the year have a weighted average remaining contractual life of 3.6 years (2011: 4.4 years)

Under the rules of both 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.

Notes to the Consolidated Financial Statements continued

7 Directors and Employees Remuneration continued

Options were valued using the Black-Scholes option pricing model.

The share based payment expense for the Group totalled £nil (2011: £7k).

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 (2011: £71k).

	2012 £000	2011 £000
Current pension obligations included in liabilities	9	10

8 Finance Costs

	2012 £000	2011 £000
Bank overdraft and invoice discounting and loan	14	23
Finance leases and hire purchase contracts	4	3
Loan stock	34	34
Other debt finance costs	13	8
Bank interest received	(1)	–
	64	68

9 Taxation

	2012 £000	2011 £000
Corporation tax:		
Corporation tax due	10	4
Current year R & D claim	–	(13)
Prior year R & D claim	–	(11)
	10	(20)
Deferred tax (credit)/expense	(10)	60
Income tax charge	–	40

Reconciliation of effective tax rate

	2012 £000	2011 £000
Profit/(loss) on ordinary activities before tax	20	(162)
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 25.84% (2010: 28.00%)	5	(45)
Effects of:		
Expenses not deductible for tax purposes	14	42
Additional deduction for R&D expenditure	(58)	(49)
R & D tax credits	–	(24)
Transferred (from) / to tax losses	39	114
Adjustment to tax charge in respect of previous period	–	2
	–	40

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:

	Other Intangibles	Goodwill	Development costs	Total
Cost	£000	£000	£000	£000
At 1 May 2011	216	170	1,028	1,414
Additions	–	–	229	229
At 30 April 2012	216	170	1,257	1,643
Amortisation				
At 1 May 2011	82	–	568	650
Amortisation for the year	32	–	235	267
At 30 April 2012	114	–	803	917
Net book amount at 30 April 2012	102	170	454	726
Net book amount at 30 April 2011	134	170	460	764

	Other Intangibles	Goodwill	Development costs	Total
Cost	£000	£000	£000	£000
At 1 May 2010	216	170	776	1,162
Additions	–	–	252	252
At 30 April 2011	216	170	1,028	1,414
Amortisation				
At 1 May 2010	50	–	370	420
Amortisation for the year	32	–	198	230
At 30 April 2011	82	–	568	650
Net book amount at 30 April 2011	134	170	460	764
Net book amount at 30 April 2010	166	170	406	742

Notes to the Consolidated Financial Statements continued

10 Intangible Assets continued

The goodwill relates to 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 recoverable amount of the goodwill has been based on the budgeted cash flow for the unit, discounted at 20% over 5 years. The discounted cash flow assumes that the turnover of the unit will grow 5% each year over 5 years. This is the rate used in the prior year based on historic growth levels and anticipated growth in new markets. This is the key assumption at arriving at the value in use of this unit, however, if growth was assumed to be nil it would not cause the carrying value to exceed the recoverable amount. No significant risks identified this year indicate the discount rate is no longer appropriate.

This discount rate has been estimated using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to Atik.

The amortisation charge is 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 2011	94	104	924	124	127	1,373
Additions	–	49	142	10	–	201
Disposals	–	(6)	(107)	(33)	–	(146)
At 30 April 2012	94	147	959	101	127	1,428
Depreciation						
At 1 May 2011	77	88	606	119	67	957
Charge for year	13	18	148	8	3	190
Disposals		(6)	(66)	(33)	–	(105)
At 30 April 2012	90	100	688	94	70	1,042
Net book value						
At 30 April 2012	4	47	271	7	57	386
At 30 April 2011	17	16	318	5	60	416

	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 2010	94	240	777	121	126	1,358
Additions	–	5	333	3	1	342
Disposals	–	(141)	(186)	–	–	(327)
At 30 April 2011	94	104	924	124	127	1,373
Depreciation						
At 1 May 2010	58	213	582	117	63	1,033
Charge for year	19	16	108	2	4	149
Disposals	–	(141)	(84)	–	–	(225)
At 30 April 2011	77	88	606	119	67	957
Net book value						
At 30 April 2011	17	16	318	5	60	416
At 30 April 2010	36	26	195	4	64	325

The net book value of property, plant and equipment includes an amount of £79k (2011: £55k) in respect of assets held under finance leases and hire purchase contracts. Of this amount £37k (2011: £37k) relates to building and leasehold improvements, £4k (2011: £17k) relates to motor vehicles and £38k (2011: £nil) relates to computer equipment.

Depreciation on these assets is £nil (2011: £2k), £13k (2011: £19k) and £8k (2011: £3k) respectively.

12 Deferred Tax

	2012		2011	
	Deferred tax asset £000	Deferred tax liability £000	Deferred tax asset £000	Deferred tax liability £000
At 1 May 2011	113	(148)	154	(122)
Deferred tax on capitalised R & D	–	6	–	(32)
Tax losses utilised	19	–	(3)	–
Short term temporary differences	(11)	(4)	(17)	(2)
Charge on intangibles recognised on acquisition	–	8	–	8
Share based payments	(8)	–	(21)	–
At 30 April 2012	113	(138)	113	(148)

	2012		2011	
	Asset £000	Liability £000	Asset £000	Liability £000
Deferred tax on capitalised R & D	–	(109)	–	(115)
Other temporary differences	1	(13)	7	(10)
Deferred tax on acquisition intangibles	–	(16)	–	(23)
Trading losses recognised	112	–	98	–
Share based payments	–	–	8	–
	113	(138)	113	(148)

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 £524k (2011: £444k) in respect of losses. Total losses (provided and unprovided) totalled £2.4m (2011: £2.2m).

There were no unrecognised temporary differences.

13 Inventories

	2012 £000	2011 £000
Raw materials and consumables	583	573
Work in progress	25	51
Finished goods	218	157
	826	781

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

In the year ended 30 April 2012 a total of £3,098k (2011: £3,194k) of inventories were consumed and charged to the Income Statement as an expense. In addition a total adjustment of £8k (2011: total adjustment £9k) was made resulting from the reduction in inventory provisions / write down of inventories.

Notes to the Consolidated Financial Statements continued

14 Trade and other Receivables

	2012 £000	2011 £000
Trade receivables	1,348	1,134
Other receivables	119	214
Prepayments and accrued income	60	56
	1,527	1,404

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:

	2012 £000	2011 £000
Impairment provision as at 1 May 2011	18	28
Impairment losses recognised	–	–
Decrease in provision	(2)	(10)
Provision as at 30 April 2012	16	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:

	2012 £000	2011 £000
Less than 1 month	414	400
More than 1 month but not more than 3 months	195	197
More than 3 months but not more than 6 months	44	1
More than 6 months but not more than 1 year	103	28
More than 1 year	16	4
	772	630

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

15 Cash and Cash Equivalents

	2012 £000	2011 £000
Cash at bank and in hand	285	158

16 Trade and other Payables

	2012	2011
	£000	£000
Trade payables	668	604
Social security and other taxes	99	75
Other payables	338	206
Accruals and deferred income	177	169
	1,282	1,054

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

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 £79k (2011: £55k).

	Within 1 year	1 to 5 years	Over 5 years	Total
30 April 2012	£000	£000	£000	£000
Gross lease payments	28	45	17	90
Future interest	(5)	(5)	(2)	(12)
Net Present Values	23	40	15	78

	Within 1 year	1 to 5 years	Over 5 years	Total
30 April 2011	£000	£000	£000	£000
Gross lease payments	18	31	12	62
Future interest	(2)	(4)	(2)	(8)
Net Present Values	16	27	10	53

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

18 Provision for Warranties

	2012	2011
	£000	£000
As at 1 May 2011	17	13
Provision utilised during the year	(5)	(9)
Provided for in year	5	13
Warranty provision as at 30 April 2012	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.

Notes to the Consolidated Financial Statements continued

19 Borrowings

Borrowings are repayable as follows:

	2012 £000	2011 £000
Within one year		
Bank finance	91	116
Finance leases	23	16
	114	132
After one and within five years		
Loan stock	368	360
Finance leases	40	27
	408	387
Over five years		
Finance leases	15	10
Total borrowings	537	529

Bank finance relates to amounts drawn down under the Group's invoice discounting facility.

The proceeds of £379,000 from the issue of the loan stock are stated after adjustment in accordance with the accounting treatment required under IAS 32. Certain rights that are attached to the Company's loan stock result in it having characteristics of both equity and liabilities. Therefore the loan stock is considered to be a compound instrument.

The value of the liability component has been calculated based on the present value of the future cash flows in respect of payments the Company is obliged to make to holders of its loan stock. A value of £40,986 included within equity under the heading 'Other reserve' is the residual amount.

The loan stock is unsecured, bears interest at 9% per annum and can be converted at any time prior to 30 April 2013 at a rate of one ordinary share for every £0.70 nominal amount of loan stock. Any unconverted loan stock is due for repayment on 13 July 2013.

Subscribers to the loan stock also received warrants to subscribe for one ordinary share at a price of £0.70 for each £4.00 of loan stock subscribed for. The warrants are valid until 31 July 2013, except that this period may be extended by the Company at its sole option. The total number of warrants issued by the Company was 94,750.

20 Share Capital

	2012 £000	2011 £000
Authorised		
1,000,000,000 (2011: 1,000,000,000) Ordinary shares of 1p each	10,000	10,000
Allotted, called up and fully paid		
18,701,742 (2011 : 18,682,342) Ordinary shares of 1p each	187	187

	2012 Number	2011 Number	2012 £000	2011 £000
Opening shares in issue	18,682,342	18,015,842	187	180
Share options exercised	19,400	–	–	–
Deferred consideration shares issued	–	666,500	–	7
Closing shares in issue	18,701,742	18,682,342	187	187

711,528 ordinary shares 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/(Loss) Per Share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Scientific Digital Imaging plc divided by the weighted average number of shares in issue during the year, excluding shares held by the Synoptics Employee Benefit Trust. All earnings per share calculations relate to continuing operations of the Group.

	Profits/(Loss) attributable to shareholders £000	Weighted average number of shares	Basic earnings/(loss) per share amount in pence
Year ended 30 April 2012	20	17,989,257	0.11
Year ended 30 April 2011	(202)	17,662,215	(1.14)

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 and dilutive deferred consideration.

	Diluted earnings/(loss) per share amount in pence
Year ended 30 April 2012	0.10
Year ended 30 April 2011	(1.14)

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

	2012	2011
Weighted average number of ordinary shares used for basic earnings per share	17,989,257	17,662,215
Weighted average number of ordinary shares used as deferred consideration	666,500	666,500
Weighted average number of ordinary shares under option	370,927	456,402
Weighted average number of ordinary shares used for diluted earnings per share	19,026,684	18,785,117

22 Own Shares Held by Employees Benefit Trust

The Group	Investment in own shares £000
At 31 May 2011 and 30 April 2012	85

As at 30 April 2012 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;

	2012		2011	
	Land and Buildings £000	**Other £000**	Land and buildings £000	Other £000
In one year or less	102	6	124	–
Between one and five years	75	12	252	–
	177	18	376	–

Lease payments recognised as an expense during the year amount to £120k (2011: £113k).

Notes to the Consolidated Financial Statements continued

23 Operating Leasing Commitments continued

Synoptics Limited have a rental contract for the office building rented since 1996 at Beacon House, Nuffield Road, Cambridge which expires in September 2014.

Synoptics Inc. have a rental contract for the office building rented since January 2003 at Frederick, Maryland. This lease has been renewed until May 2013 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 month's prior written notice.

24 Related Party Transactions and Controlling Related Party

The Group's related parties comprise its Board of Directors. Transactions with Directors are disclosed within the Directors Remuneration Report and note 7. 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 Risk Management Objectives and Policies

Financial instruments

The Group uses various financial instruments, including 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.

At 30 April 2012, the amount of borrowings at a fixed rate relating to the original loan stock balance was £379,000 (2011:£379,000). Interest rate sensitivity is not material.

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. At as 30 April 2012 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £1k (2011: £1k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £1k (2011: £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	
	2012	2011
	£000	£000
US Dollars	39	39
Euros	19	2

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 £1,758k (2011: £1,358k). 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 2012, the Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months	Between 6 and 12 months	Between 1 and 5 years	Later than 5 years
As at 30 April 2012	£000	£000	£000	£000
Trade and other payables	1,183	–	–	–
Borrowings	105	14	413	17

	Current		Non-current	
	Within 6 months	Between 6 and 12 months	Between 1 and 5 years	Later than 5 years
As at 30 April 2011	£000	£000	£000	£000
Trade and other payables	979	–	–	–
Borrowings	125	9	391	12

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 2012 £000	Non financial assets 2012 £000	Financial liabilities at amortised cost 2012 £000	Non financial liabilities 2012 £000	Total balance sheet heading 2012 £000
Bank	285	–	(91)	–	194
Trade receivables	1,348	–	–	–	1,348
Other receivables	125	–	–	–	125
VAT and taxation	–	54	–	(99)	(45)
Loan stock	–	–	(368)	–	(368)
Trade payables	–	–	(668)	–	(668)
Finance lease liability – current (outside scope)	–	–	(23)	–	(23)
Finance lease liability – non current (outside scope)	–	–	(55)	–	(55)
Other payables and accruals	–	–	(515)	–	(515)
Total	1,758	54	(1,720)	(99)	(7)

Notes to the Consolidated Financial Statements continued

26 Summary of Financial Assets and Liabilities by Category continued

Balance sheet headings	Loans and other receivables 2011 £000	Non financial assets 2011 £000	Financial Liabilities 2011 £000	Non financial liabilities 2011 £000	Total balance sheet heading 2011 £000
Cash at bank	158	–	(116)	–	42
Trade receivables	1,134	–	–	–	1,134
Other receivables	66	–	–	–	66
VAT and taxation	–	204	–	(75)	139
Loan stock	–	–	(360)	–	(360)
Trade payables	–	–	(604)	–	(604)
Finance lease liability – current (outside scope)	–	–	(16)	–	(16)
Finance lease liability – non current (outside scope)	–	–	(37)	–	(37)
Other payables and accruals	–	–	(375)	–	(375)
Total	1,358	204	(1,508)	(75)	(21)

The fair values of the financial assets and liabilities at 30 April 2012 and 30 April 2011 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
- 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.

	2012 £000	2011 £000
Capital		
Total equity	1,889	1,888
Less cash and cash equivalents	(285)	(158)
	1,604	1,730
Overall financing		
Total equity	1,889	1,888
Plus borrowings	537	529
	2,426	2,417
Capital-to-overall-financing ratio	66.1%	71.6%

Report of the Independent Auditor on the Company Financial Statements

Independent Auditor's 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 2012 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 Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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 APB's 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 2012;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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 Matters

We have reported separately on the consolidated financial statements of Scientific Digital Imaging plc for the year ended 30 April 2012.

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

24 July 2012

Company Balance Sheet

for the year ended 30 April 2012

	Note	2012 £000	2011 £000
Fixed assets			
Investments	5	649	649
Current assets			
Debtors	6	91	310
Cash at bank and in hand		–	4
		91	314
Creditors: amounts falling due within one year	7	(274)	(509)
Net current assets		(183)	(195)
Total assets less current liabilities		466	454
Creditors: amounts falling due after more than one year	8	(368)	(360)
Net assets		98	94
Capital and reserves			
Called up share capital	9	187	187
Share premium account		262	260
Other reserves		176	176
Profit and loss account		(527)	(529)
Shareholders' funds		98	94

The financial statements were approved by the Board of Directors on 24 July 2012

H L Tee CBE
Chairman

M Creedon
Chief Executive Officer

Company registration number: 6385396

Notes to the Company Financial Statements

for the year ended 30 April 2012

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 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. All other investments are recorded at cost, less provision for impairment.

Share Options

Scientific Digital Imaging plc regularly 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. 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.

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.

Notes to the Company Financial Statements continued

2 Employee Remuneration

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

	2012 £000	2011 £000
Emoluments	187	296
Pension	2	5
Amounts payable to third parties in respect of Directors' services	–	–
	189	301

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 14 and 15. The highest paid director aggregate entitlements were £95k (2011: £122k). Company pension contributions of £nil (2011: £5k) were made to a money purchase scheme. As at 30 April 2012 the highest paid director held a total of 135,000 share options (2011: 160,000 share options).

3 Auditor's Remuneration

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

	2012 £000	2011 £000
Tax advice	1	1
Statutory audit	8	8

4 Result 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 profit for the financial period was £2k (2011: loss £195k).

5 Investments

Investments in Group undertakings

	£000
Cost and net book amount as at 1 May 2011	649
Capital contributions in respect of share based payments	–
At 30 April 2012	649

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

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 Debtors

	2012 £000	2011 £000
Amounts due by other Group companies	86	310
Other debtors	5	–
	91	310

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

7 Creditors: Amounts Falling Due Within One Year

	2012 £000	2011 £000
Amounts owed to other Group companies	242	494
Trade creditors	–	–
Accruals and deferred income	32	15
	274	509

8 Borrowings

	2012 £000	2011 £000
Loan stock	368	360

The proceeds of £379,000 from the issue of the loan stock are stated after adjustment in accordance with the accounting treatment required under FRS 25. Certain rights that are attached to the Company's loan stock result in it having characteristics of both equity and liabilities. Therefore the loan stock is considered to be a compound instrument.

The value of the liability component has been calculated based on the present value of the future cash flows in respect of payments the Company is obliged to make to holders of its loan stock. A value of £40,986 included within equity under the heading 'Other reserve' is the residual amount.

The loan stock is unsecured, bears interest at 9% per annum and can be converted at any time prior to 30 April 2013 at a rate of one ordinary share for every £0.70 nominal amount of loan stock. Any unconverted loan stock is due for repayment on 13 July 2013.

Subscribers to the loan stock also received warrants to subscribe for one ordinary share at a price of £0.70 for each £4.00 of loan stock subscribed for. The warrants are valid until 31 July 2013, except that this period may be extended by the Company at its sole option. The total number of warrants issued by the Company was 94,750.

Notes to the Company Financial Statements continued

9 Called up Share Capital

	2012 £000	2011 £000
Authorised		
1,000,000,000 Ordinary shares of 1p each	10,000	10,000
Allotted, called up and fully paid		
18,701,742 (2011:18,682,342) Ordinary shares of 1p each	187	187

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 (EMI scheme and 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.

10 Reserves

	Share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 May 2011	187	260	176	(529)	94
Profit/(loss) for the year	–	–	–	2	2
Share options issued	–	2	–	–	2
Balance at 30 April 2012	187	262	176	527	98

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