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This document comprises an admission document which has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute an approved prospectus for the purposes of the Prospectus Rules and contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document has not been, and will not be, approved or examined by the Financial Services Authority, the UK Listing Authority ("UKLA") or any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application has been made for all of the Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange ("Admission"). It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 8 December 2008. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no such other applications have been made.

The Directors, whose names and functions appear on page 4 of this document and the Company accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither this document nor the Ordinary Shares have been, nor will be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America or any applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, resident or citizen of, or any person located in, the United States of America, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa. Any failure to comply with these restrictions may constitute a violation of the security laws of any jurisdiction. This document does not constitute an offer, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Scientific Digital Imaging plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 06385396)

Admission to trading on AIM

Nominated Adviser — **Grant Thornton UK LLP**

Broker — **Dowgate Capital Stockbrokers Limited**

SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

Authorised		*Issued and fully paid*	
Number of Ordinary Shares	*Amount*	*Number of Ordinary Shares*	*Amount*
1,000,000,000	£10,000,000	16,663,842	£166,638

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Prospective investors should read the whole text and contents of this document and should be aware that an investment in the Company is speculative and involves a high degree of risk. In particular, prospective investors' attention is drawn to the section entitled "RISK FACTORS" in Part II of this document.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and UK public holidays) free of charge to the public at the offices of Grant Thornton, 30 Finsbury Square, London EC2P 2YU for one month from the date of Admission.

FORWARD LOOKING STATEMENTS

This document contains forward-looking statements. These relate to the Company's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "anticipate", "seek", "target", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Your attention is drawn to the section entitled "Risk Factors" in Part II of this document.

TABLE OF CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Harry Tee CBE *(Non-Executive Chairman)* Philip Atkin *(Chief Executive)* Jeremy Gibbs *(Non-Executive Deputy Chairman)* Alfred Vaisey *(Non-Executive and Senior Independent Director)*
Company Secretary	Clare Hough
Registered Office	Beacon House Nuffield Road Cambridge CB4 1TF
Telephone number	+44 (0)1223 727144
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Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
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Reporting Accountants	Littlejohn 1 Westferry Circus Canary Wharf London E14 4HD
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Solicitors to the Company	Fox Williams LLP Ten Dominion Street London EC2M 2EE
Solicitors to the Nominated Adviser	Taylor Wessing LLP 5 New Street Square London EC4A 3TW
Registrar	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield HD0 0LA
Financial Public Relations	Bishopsgate Communications Limited 5-11 Worship Street London EC2A 2BH
ISIN number	GB00B3FBWW43
AIM Symbol	SDI

ADMISSION STATISTICS

Number of Ordinary Shares in issue as at the date of this document	16,663,842
Number of share options in issue on Admission	1,199,760
Number of Warrants in issue on Admission	94,750
Number of Ordinary Shares in issue on Admission (diluted)	17,958,352
Market capitalisation of the Company on Admission	£2 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of this document	2 December 2008
Admission and dealings in the Ordinary Shares to commence on AIM	8 December 2008
Delivery into CREST of the Ordinary Shares to be held in uncertificated form	8 December 2008

PART I

INFORMATION ON THE COMPANY

Introduction

Scientific Digital Imaging plc is focused on the application of digital imaging technology to the needs of the scientific community. Its principal subsidiary is Synoptics, 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 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.

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 represents the first step in the implementation of this strategy.

Digital Imaging for Scientific Applications

Experimental procedures, assays and analyses in many branches of science have traditionally been carried out using techniques where the results have been interpreted by the human eye. Examples include inspecting the growth of bacteria in a petri dish, the observation of the motion of celestial bodies and the 'fingerprint' of an organism's DNA.

Scientific procedures generating visually-interpreted results are carried out in both academic and industrial research laboratories, as well as within a wider range of organisations that routinely apply scientific tests in their operations. Examples of these include food producers testing for microbial contamination, plant breeders establishing genetic relationships among crop strains and pharmaceutical producers testing antibiotic potency.

Automation of these procedures is being driven by a number of factors, including the reduction of staff costs, the removal of subjectivity, formal documentation of the results and the requirement for increased throughput. In many cases, however, the transition from human to machine based interpretation is complicated by factors such as difficulties in obtaining a good image, the formal definition of the interpretation task and the efficient implementation of the processing required. These factors lead to technical challenges that are often difficult to meet in a cost-effective manner. In addition, the Directors believe it is essential that the solutions are not only technically proficient but also that they fit easily into the workflow of the customer and are simple to use, notwithstanding the sophistication of the technology. Therefore the Directors believe that to succeed in the scientific imaging market, the producers of imaging systems for these applications must not only find solutions to the technical challenges that lie within the instrument, but also provide an effective interface with the user.

SDI, through its subsidiaries, offers a range of digital imaging solutions that meet the needs described above. SDI 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.

SDI's Operating Businesses

Synoptics

Synoptics was founded in 1984 to commercialise original work in the field of image processing, carried out in the departments of engineering and metallurgy in the University of Cambridge. Initial product offerings concentrated on technology components, and customers were generally system developers or

Original Equipment Manufacturers ("OEM"s) who integrated the company's specialised technology into their own products. During this period the company provided, for example, a core image capture component of the first commercial confocal laser scanning microscope, supplied software for advanced processing of transmission electron microscope images to leading Japanese manufacturers, and supplied image capture and analysis systems for gel electrophoresis to a UK subsidiary of a US manufacturer. In the late 1990s, however, Synoptics' focus was changed from the sale of software and hardware components to the design and supply of complete end-user products for particular applications, with emphasis on the life sciences and microscopy markets. Its strategy was to deliver world-class, innovative products based on a close understanding of the real needs of customers in these fields, using Synoptics' component technologies and skills in image processing and analysis.

Synoptics offers a range of products that address three principal application market areas through separate marketing divisions, each with its own brand as follows:

- The **Syngene** division produces equipment for the documentation and analysis of electrophoresis gels used in DNA and protein studies.
- The **Synbiosis** division provides equipment for microbiologists to automate the process of microbial colony counting and zone sizing.
- The **Syncroscopy** division produces software and systems using the techniques of digital imaging for applications in microscopy.

Synoptics' products address applications in which there is a requirement for imaging software and the majority also include hardware (camera, lighting, optics and electronics), thereby providing most of the technology that is required to collect and analyse images of a scientific test or experiment and deliver quantitative results.

Synoptics currently employs 30 people at its headquarters in Cambridge, UK, and 9 people at its wholly-owned sales subsidiary, Synoptics Inc., based in Frederick (Maryland, US). Almost all design, final assembly and product testing is carried out in Cambridge, with the manufacture of components and sub-assemblies being subcontracted. Synoptics Inc. supports the US network of distributors and manufacturers' representatives, with a team of marketing personnel, product application experts and service engineers.

Synoptics exports approximately 75 per cent. of its products, which are mainly sold through its established world-wide network of distributors. It also sells to OEM customers either customized or "badged" versions of standard products or, in some cases, products created specifically for the customer. In addition, it sells its products directly to end users from its UK and US offices.

The end users of the Synoptics equipment are generally engaged in science – either conducting routine measurement of a process (for example, testing for bacterial contamination in the water industry or testing for contamination in pharmaceutical production) or in research.

Syngene

The **Syngene** division produces equipment for the documentation and analysis of electrophoresis gels used in DNA and protein studies. These comprise enclosures, cameras, optics, lighting and computer hardware and software. Syngene division products address both the traditional genomics or one-dimensional ("1D") market as well as the newer proteomics or two-dimensional ("2D") market.

1D gel electrophoresis is a standard technique used to separate DNA, RNA or protein molecules by passing an electric current through a gel matrix. It is used throughout the life sciences, for example, in molecular biology, genetics and forensics. Once the electrophoresis is complete, the molecules that have been separated are stained, producing the familiar "barcode" pattern that can be photographed or otherwise imaged. Such images are used not only to document the results of the experiment but also to enable quantitative analysis of the results to be carried out (specifically, determination of the molecular weights and/or quantities of the molecules). The equipment needed to record an image of a gel depends on the type of marker or dye that is used.

The conventional dye – ethidium bromide – fluoresces brightly under ultra violet ("UV") light when bound to DNA. It can therefore be seen clearly with the naked eye and photographed using a conventional camera or consumer digital camera. There are however considerable advantages such as sensitivity and dynamic range to be gained from using more specialized scientific cameras such as those supplied by the Syngene division. Further, an enclosed system is advantageous because it excludes ambient light and helps to prevent accidental exposure of the user to UV light, and therefore the Syngene product range includes a variety of specialized 'darkrooms' for this purpose.

However, a number of other types of markers and techniques are increasingly being used to avoid the need for the UV-fluorescent dye ethidium bromide, which is generally considered to be carcinogenic. For example, chemiluminescence is an increasingly popular technique using a luminescent probe. Analysis of the results of chemiluminescence experiments requires the use of particularly sensitive cameras to detect the faint patterns of light emitted by the chemiluminescent dye in the presence of protein. A light-tight darkroom enclosure is also required to prevent the ingress of ambient light. The Syngene products now address a wider range of sample types than ever before (i.e. different types of gel or membrane, combined with one or more of the large variety of fluorescent and chemiluminescent probes that are now available). The core competencies of Synoptics enable it to address the challenges of providing this range of capabilities in a convenient and easy to use form.

The Directors believe that the 1D or genomics market for Syngene products presents a growth opportunity for Synoptics through increased market share. Competitors range from divisions of large multinational laboratory supply companies (such as Bio-Rad Laboratories, GE and Fuji) to smaller, specialized companies such as Alpha Innotech and Vilber Lourmat. The Board believes Synoptics is well placed to grow in this sector by focusing on being more responsive than its larger competitors to customers' specific application needs.

Syngene also produces two products for the documentation and analysis of 2D gels for the proteomics market. In 2D gel electrophoresis, a complex mixture of proteins is separated along a first dimension according to the isoelectric point of each protein (related to the acidity or pH), and then along a second according to its molecular weight. The resulting protein 'map', in which each of several thousand spots corresponds to a single protein, can be compared with one from a similar sample and the differences can indicate the proteins that differentiate the two samples. For example, the two samples might be taken from healthy and unhealthy human hearts and show that a particular protein is significantly more abundant in one than in the other. The protein can then be physically cut from the gel and analysed further to determine its identity. In principle, a drug therapy can then be designed to control the errant protein.

These two products, which are designed to simplify and accelerate key steps in the process of capturing and analyzing images of 2D gels comprise *Dyversity*, a versatile image capture system and *Dymension*, a sophisticated analysis software product. The proteomics market is conservative with new techniques taking time to become established and the market is currently dominated by GE's Healthcare division and Bio-Rad Laboratories. However, the Directors believe that *Dyversity* is a particularly flexible and convenient system which, together with *Dymension*, provides a highly innovative alternative solution.

Synbiosis

Many industries and organisations require routine microbiological testing of water, food and other substances. The technique of culturing on nutrient media in agar plates and counting the resulting colonies is well established, but manual methods are time consuming and tedious and reproducibility is poor. The benefits of an automatic technique are well established.

The main market for automated colony counters consists of organisations using manual methods to count colonies on large numbers of plates. These include food producers, water companies, pharmaceutical producers, and contract laboratories providing services to these industries.

Synbiosis also addresses the antibiotic susceptibility testing market. Two broad classes of application exist: those tracking the development of resistance to known antibiotics of various disease strains, and those determining the performance of antibiotics against known strains of organism. The former class is useful to health agencies tracking, for example, the development of multiply-resistant bacteria such as MRSA. The latter is routinely used by pharmaceutical companies to test production. In each case, a 'lawn' of bacteria is laid down on an agar surface and an antibiotic pill is placed on the lawn. During incubation, the bacteria grow except where they are inhibited by the antibiotic. The size of the 'zone of inhibition' is a measure of the effectiveness of the antibiotic in killing the bacteria. Similar counting and zone sizing techniques are used in vaccine research and production.

Synbiosis offers automated instruments for both counting and zone sizing techniques. The instruments include cameras, lighting and optical systems for collecting images of the plates, either supplied with a computer or for attachment to one. For applications in pharmaceutical production involving very large plates with multiple zones, a robotic system is offered that presents each zone in turn to the camera for imaging and analysis.

Total world sales in microbiological testing are estimated to be growing at around 5 per cent. per annum, but the Directors believe this to be far less than the potential growth in sales of automatic colony counters once automation of this task is more widely understood and accepted. There are few competitors in this market that are addressing more than a niche, defined either geographically or by application. Synoptics is one of the few companies offering worldwide solutions targeting most of the available applications and has one of the largest installed bases of this type of equipment.

Syncroscopy

Users of microscopes have significant requirements for digital imaging equipment. Microscopes have fundamental limitations, in particular limited depth of field and breadth of field, that restrict the user's ability to see, comprehend, record and publish the object or organisms being viewed. Syncroscopy concentrates on the applications of metallurgy and materials, industrial and electronic inspection, and especially entomology (the scientific study of insects).

Through its Syncroscopy division, Synoptics was one of the first organizations to offer an automated solution to the depth of field problem in microscopy. The phenomenon is familiar to most photographers: if a foreground object is in sharp focus, the background probably will not be. This problem is characteristic of all optical systems but is acute in the light microscope: it is generally impossible to take a photograph of an insect, for example, so that all of it is simultaneously in focus. Syncroscopy's solution, named *Auto-Montage*, involves a digital camera attached to the microscope and (preferably) a computer-controlled focus motor. The system operates by gradually moving the object through the focus range, recording a number of pictures, each of which shows a different part of the subject in focus. The software then combines the images to produce a single image that is in focus throughout. As a by-product, it can also provide three-dimensional measurement data, making it suitable for the routine measurement of microscopic features.

The market is fragmented and difficult to quantify because of the wide range of applications. The Directors believe that most, if not all, the major microscope suppliers, including Olympus, Nikon, Zeiss and Leica Microsystems ("Leica"), now offer digital cameras and associated software with their microscopes. Syncroscopy does not aim to compete in this 'mainstream' and highly competitive market, although it does seek to offer its specialised software to the microscope manufacturers. In accordance with this strategy it enjoys a successful relationship with Leica, which offers a version of the Syncroscopy *Auto-Montage* product as an optional module for its flagship *Leica Application Suite* software. *Auto-Montage* is also offered directly and via distributors.

Artemis and Perseu

The Company acquired Artemis and Perseu in October 2008 in order to access their skills in the design and manufacture of high performance cameras, such as those used by Synoptics. In doing so, SDI has also gained access to the astronomy market which it will help develop through the provision of marketing and logistical expertise.

Founded in 2006, Artemis is a company engaged in the design of specialised cameras capable of detecting low levels of light, which are suitable for use by astronomers (in conjunction with a telescope) and in the field of life-science imaging. Artemis has developed particular expertise in the precise control of the sensor, in low-noise analog-to-digital conversion circuits and in the software required to deliver the final image to the controlling computer.

These cameras are manufactured under licence by Perseu, which is also responsible for the marketing and distribution of the cameras to the astronomy market under the 'Atik Instruments' brand. The cameras have been very well received by the astronomy market. Total sales have grown from approximately €140,000 in 2004 to €374,000 in the first 9 months of 2008. Marketing is carried out via a website, through attendance at exhibitions, and through contact with the on-line discussion forums that are widely used by the astronomy community.

Competitors in this sector include Starlight Xpress Limited (Berkshire, UK), Meade Instruments Corp. (Irvine, California, US), QHYCCD Inc. (China), Quantum Scientific Imaging Inc. (Dana Point, California, US) and Santa Barbara Instrument Group (Santa Barbara, California, US). The Atik cameras are promoted as offering very good performance at a modest price.

Synoptics was an early OEM customer of Artemis which is based in Norfolk, UK. Perseu is based in Lisbon, Portugal.

Artemis already has a number of new products under development specialising in different types of celestial observation. In addition to the astronomy market, the Directors believe that the cameras also have potential applications within the professional scientific market. SDI plans that Artemis will address this market through supplying its cameras both to fellow subsidiaries and to external companies.

Acquisition Strategy

The Directors believe that there is scope for considerable consolidation within the scientific digital imaging market. There are currently many small companies in the sector that are each addressing specific niche applications within fragmented markets. The opportunity exists to gain economies of scale by both vertical (supply chain) integration, the acquisition of competitors operating in the same market and businesses addressing different markets; the latter because key technologies developed for a particular application can frequently be cost-effectively applied to another.

The Board has significant experience not only within its industry but also in building a substantial group through acquisition. The Board believes this experience together with the technical skills within the Group, presents the potential to generate significant shareholder value.

Directors and Senior Management

Board of Directors

Henry Leonard Tee CBE, *Non-Executive Chairman*, aged 63

Henry (known as Harry) Tee joined the Board in 2008 and brings to SDI considerable experience of public and private companies. After a career spanning 25 years in multinational companies he founded The Roxboro Group plc ("Roxboro") which listed on the Official List of the London Stock Exchange in 1994. Roxboro is now known as Dialight plc and remains a quoted company. Under Mr Tee's leadership Roxboro grew through organic growth and the acquisition of some seven businesses to sales of £175 million per annum. He is now the non-executive chairman of Dialight plc.

Mr Tee is a recognised leader within the UK electronics industry and in 2005 was invited by the then Secretary of State to form and chair The Electronics Leadership Council, a body comprising Chairmen and CEOs of Britain's leading electronic companies and which he continues to chair. He is a former President of GAMBICA, the trade association for the instrumentation sector, a former Vice-President of INTELLECT the trade association for the ICT sector and the former President of EECA the European Trade body for the electronics sector, a post he held for three years.

Mr Tee is also Chairman of Piezotag Limited and a director of SEMTA, the Sector Skills Council for Science, Engineering and Manufacturing technology. He is a Fellow of the Institution of Engineering and Technology (FIET), a Fellow of the Royal Institution (FRI), a Fellow of the Royal Society of Arts, Manufactures and Commerce (FRSA) and a Companion of the Chartered Institute of Management (CCIM). Mr Tee was appointed CBE in the Birthday Honours List in 2008.

Dr Philip Atkin, *Chief Executive,* aged 49

Philip Atkin, one of the three founders of Synoptics, graduated from Cambridge University in 1981 and went on to conduct research into computational vision and hardware architectures for imaging in conjunction with the University's Engineering and Physiology departments. This work led to a Ph.D. in Engineering from Cambridge University in 1990, the award of a Research Fellowship from Gonville and Caius College, Cambridge and also to Synoptics' first hardware product, an advanced image processing engine named Imagine. Dr Atkin was involved in securing the initial funding for Synoptics and has been involved in the development of the business since incorporation. As Research Director he was initially responsible for product research, design and development, and has instigated and led the major technical and architectural development initiatives of the company. Dr Atkin was Managing Director of Synoptics from 1997 until 2007, during which time he was instrumental in the re-orientation of the company towards market-driven end-user products and the creation of the vertically orientated market divisions.

Jeremy Stephen Gibbs, *Non-Executive Deputy Chairman,* aged 51

Jeremy Gibbs graduated from Oxford University in 1978 in Engineering Science, subsequently qualifying as a Chartered Mechanical Engineer and Chartered Electrical Engineer. His early career saw him obtaining management and consultancy positions in British Rail Engineering Limited, Edwards High Vacuum International and The BOC Group plc, all engineering or technology driven companies. Mr Gibbs was a non-executive director of Futuremedia plc from 1997 to 2001 and its chairman from 1998 to 2001. Futuremedia was listed on NASDAQ. He is currently General Manager of Adaptivity Limited, a corporate finance boutique. Mr Gibbs was a Director of Synoptics from 2001 to 2008.

Alfred John Vaisey, *Senior Independent Director (Non-Executive)*, aged 55

Alf Vaisey joined the Board in August 2008 following a career spreading over nearly 20 years as group finance director of three public companies listed on the Official List of the London Stock Exchange. He brings to the group considerable financial, commercial, acquisitions and disposal experience gained in a number of industries including electronics, automotive, telecoms, aerospace, and retail.

He started his finance director career with Lloyds Chemists plc. He subsequently joined another Midland based listed company, Pressac Holdings plc prior to joining Harry Tee at The Roxboro Group plc ("Roxboro"). He retired from Roxboro in 2005 having been involved in returning over £89 million to shareholders after the disposal of two of its operating divisions. He was a Fellow of the Chartered Institute of Certified Accountants having qualified for membership during his 12 years at KPMG LLP.

Senior Management

Clare Hough, *Financial Controller and Group Company Secretary*, aged 36

Clare Hough qualified as a Chartered Certified Accountant in 1996. Post qualification she joined KPMG LLP where she worked until 2000, when she left to join Synoptics. She has since progressed to her current position of Finance Director of Synoptics, Group Financial Controller and Group Company Secretary. She is responsible for all of the accounting functions of the Group and the preparation of the Company's forecasts and budgets.

Paul Ellwood, *Joint CEO, Synoptics*, aged 56

Paul Ellwood joined the Synoptics group in 1997 as Sales and Marketing Manager with responsibility to launch the Syngene division into the Life Science market. He was promoted to Group Sales and Marketing Director five years later with the added responsibility of the Synbiosis and Syncroscopy divisions. Previously, Mr Ellwood has held several sales roles in the scientific laboratory business for both US and UK companies. In the late 1980's he was instrumental in the development of the original gel documentation system concept. Mr Ellwood graduated from Leeds University in 1974 obtaining a BSc in Metallurgy and Material Sciences and began work in the aerospace industry.

Richard Maskell, *Joint CEO, Synoptics*, aged 49

Richard Maskell joined Synoptics when it was founded as an Electronics Engineer. As the company has grown, his role has changed to Development Manager and then to Joint CEO. He has made significant contributions to the design and development of Syngene product lines and has been involved in major OEM management. Mr Maskell graduated from Bath University with a degree in Electronic and

Electrical Engineering in 1981 having been sponsored by Marconi Radar. From 1982 to 1984 he worked for Pye Unicam developing liquid chromatography systems.

Corporate Structure

On Admission SDI will consist of the Company and its three operational subsidiaries, Synoptics, Artemis and Perseu, along with Synoptics' operational subsidiary, Synoptics Inc. and its dormant subsidiaries, Myriad Solutions Limited and Image Techniques of Cambridge Limited.

Employee Information

The current staffing for the SDI Group includes approximately 31 employees (excluding non-executive Directors) based in the UK, 9 based in the US, and 2 based in Portugal. Of the UK based staff, 12 are production staff, 8 are in product development, 6 are in sales and marketing and 5 are administrative staff. Of the US based staff, 4 are in sales and marketing, 3 in operations with 2 administrative staff.

Current Trading and Future Prospects

SDI has seen an increase in turnover from £4.8 million during the year ended 30 April 2006 to £5.7 million during the year ended 30 April 2008, with increasing gross profits during the same period from £2.5 million to £3.3 million. Results for the year ended 30 April 2008 were impacted by £131,000 of re-organisation costs and a £40,000 write down of the investment held by the Synoptics Employee Benefit Trust. Management is anticipating further organic revenue growth during the current financial year as well as additional revenue generated by its new acquisitions, Artemis and Perseu, although results will be impacted by the cost of the Company's proposed admission to AIM of approximately £340,000.

While the overall economic outlook remains uncertain, the Directors believe that the nature of the Company's customer base, being mainly academic and research organisations, will provide the stability to underpin its operational and acquisition strategy and help the Company to grow in the long term. Accordingly, the Directors look to the future with confidence.

Financial Information

Financial information covering the three years ended 30 April 2008 prepared under UK GAAP are set out in Part III of this document.

SDI will be preparing financial information for the year ending 30 April 2009 under IFRS. Accordingly, financial information prepared under IFRS covering the two years ended 30 April 2008 is also included in Part III of this document together with a pro-forma statement of net assets.

Dividend Policy

Subject to the Company's funding requirements and the terms of any third party debt facilities which the Company may enter into from time to time, the Directors intend to distribute dividends to Shareholders after the Company has profits available for distribution, a positive cashflow and the Directors believe it is commercially prudent to do so.

Warrants

As at the date of this document there are 94,750 Warrants in issue, which are held by the subscribers of the Convertible Loan Notes. Each Warrant entitles the holder to subscribe for one Ordinary Share at an exercise price of £0.70. The Warrants expire on 31 July 2013 but this expiry date may be extended by the Company at its sole option. Further details regarding the terms of the Warrants and the Convertible Loan Notes are set out in paragraphs 5 and 6 of Part IV of this document.

Share Option Schemes

The Company recognises the need to attract, incentivise and retain employees. The Company has adopted and approved the SDI Group Share Option Scheme, the SDI Employee Share Option Scheme and the SDI EMI Share Option Scheme. Further details of the SDI Group Share Option Scheme, the SDI Employee Share Option Scheme and the SDI EMI Share Option Scheme are set out in paragraph 8 of Part IV of this document.

Reasons for Admission

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place and that dealings on AIM will commence on 8 December 2008.

The Company is seeking admission to AIM in order to provide SDI with greater flexibility in funding further growth, to enable SDI to access a wider range of investors, to assist in recruiting, retaining and incentivising key employees and to raise SDI's general profile within its sector and status with its customers and suppliers.

Taxation

The attention of investors is drawn to the information regarding taxation which is set out in Part V of this document. This information is, however, intended only as a general guide to the current taxation law position in the UK for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than UK are strongly advised to consult their professional advisers.

CREST and Trading in the Ordinary Shares

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a paperless settlement system enabling title to securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, in accordance with the CREST Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and Euroclear UK & Ireland Limited has agreed to such Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB.

Trading in Ordinary Shares on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange. Shareholders resident outside the UK should ensure that their stockbroker is either a member of the London Stock Exchange or has in place arrangements allowing them to effect trades on AIM.

Orderly Market Arrangements

The Directors will, following Admission, in aggregate, have an interest in 10.7 per cent. of the share capital and have given undertakings to Grant Thornton and to Dowgate that for a period of 12 months from Admission they will not dispose of any interests they have in Ordinary Shares or other securities of the Company without first consulting Grant Thornton and Dowgate and they will first seek to sell the Ordinary Shares through the Company's Broker, except in certain limited circumstances.

In addition, the Company has approached certain Shareholders, who have undertaken to the Company that they will not dispose of their interests in Ordinary Shares for a period of 12 months from Admission, and for an additional 12 months thereafter, will only dispose of their interests in Ordinary Shares through the Company's Broker.

Further details of these orderly market arrangements are set out in paragraphs 9.3, 12.3 and 12.7 of Part IV of this document.

Corporate Governance

It is the Board's intention that, insofar as it is practicable and taking into account the size and nature of the Company, it will comply with the Combined Code. Where full compliance is not appropriate due to the size of the Company, the Directors will refer to the QCA Guidelines.

Upon Admission, the Board will consist of four directors, two of whom, Mr Tee and Mr Vaisey, will be independent Non-Executive Directors.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Directors have established an audit committee and a remuneration committee with formally delegated rules and responsibilities. The remuneration committee will meet as and when appropriate and the audit committee will meet at least twice each year.

The audit committee comprises Mr Tee, Mr Gibbs and Mr Vaisey, who will serve as chairman. The audit committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and the internal control systems in use throughout the Group.

The remuneration committee comprises Mr Tee, Mr Vaisey and Mr Gibbs, who will serve as chairman. The remuneration committee will review and make recommendations in respect of the Directors' remuneration and benefits packages, including share options, and the terms of their appointment. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees. No Director will be permitted to participate in discussions or a decision concerning his own remuneration.

AIM Rules for Companies Compliance Policy

In accordance with the AIM Rules for Companies, the Company has adopted an AIM Rules for Companies compliance policy setting out the procedures to be followed to ensure the Company's compliance with the AIM Rules for Companies.

Share Dealing Code

The Company has adopted a share dealing code for the Directors and applicable employees of the Company and will take proper steps to ensure compliance by such persons with the provisions of AIM Rule 21.

City Code

The Company will be subject to the provisions of the City Code, including the rules regarding mandatory takeover offers set out in the City Code. Under Rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the City Code), carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the company within the preceding twelve months, for all of the remaining equity share capital of the company.

The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 974 to 991 (inclusive) of the 2006 Act. Under section 979 of the 2006 Act, where an offeror makes a takeover offer (within the meaning of Section 974 of the 2006 Act) and receives valid acceptances in respect of, or acquires, more than 90 per cent. of the shares to which the offer relates, that offeror is entitled to compulsorily acquire the shares of any holder who has not accepted the offer on the terms of such offer.

Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Section 974 of the 2006 Act) for any Ordinary Shares.

Additional Information

Prospective investors should read the whole of this document which provides additional information on SDI and they should not rely on summaries of, or individual parts alone of this document. Investors' attention is drawn, in particular, to the Risk Factors set out in Part II of this document and the additional information set out in Part IV of this document.

PART II

RISK FACTORS

The attention of prospective investors is drawn to the fact that ownership of Ordinary Shares will involve a variety of risks which, if they occur, may have a materially adverse effect on the Company's business or financial condition, results or future operations. In any such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his or her investment.

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. There may be additional risks of which the Board is not aware or believes to be immaterial which may, in the future, adversely affect the Company's business and/or the market price of the Ordinary Shares.

Before making an investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

RISK FACTORS ASSOCIATED WITH THE COMPANY'S BUSINESS AND INDUSTRY

Business risks

Requirement for additional capital

If there is a need to raise further funds there is no guarantee that the prevailing market conditions at that time will allow for any such fundraising. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

Competition

The digital imaging sector is competitive and evolving rapidly. The Company may face significant competition, including from new entrants to the markets in which the Company competes and from companies with access to greater financial resources. In addition, the Company cannot predict the pricing or promotional activities of its competitors or their effect on its ability to market and sell its products and services. The Company currently competes both with smaller companies as well as larger multinational firms. Some of these competitors are more established, better capitalized and have a stronger market position than the Company. These competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote greater resources to the development, promotion and sale of their products and services than the Company. The Company may also be operating at a cost disadvantage compared to competitors who have greater direct buying power from suppliers or who have lower cost structures. In order to ensure that its products remain competitive, the Company regularly reviews its pricing structures against those of its competitors to evaluate ways in which it can add value to the products and services it offers. As a result and to maintain and/or increase its market share, it is possible that the Company may be required to reduce its prices which could adversely affect its financial results. Competitors that are able to offer a wider range of laboratory equipment to a customer may be able to offer 'bundles' of products and services against which the Company may be unable to compete. The practice of organizations entering into 'preferred supplier' agreements, whereby the organization buys everything from a single supplier where available, may increase; this could tend to lock out the companies of the Group.

Reliance on technology

The Company's business will be significantly impacted by technological changes and innovations. The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent introductions of new products. The Company has historically derived a significant portion of its revenues from the sale of new and enhanced products. The Company's future success will depend upon its ability to enhance its existing products and to develop and introduce, on a timely and cost-effective basis, new competitive products with features that meet changing customer requirements and address technological developments.

The Company's products could be rendered obsolete by new customer requirements or the emergence of new technologies. The failure of the Company to develop, manufacture and sell new products and product enhancements in quantities sufficient to offset a decline in revenues from existing products or to manage product and related inventory transitions successfully would have a material adverse effect on the Company's business.

Because of the complexity of the Company's products, significant delays can occur between a product's initial introduction to the market and wide market acceptance. In addition, new products or enhancements may contain errors or performance problems when first introduced, when new versions are released or even after such products or enhancements have been used for a period of time. Despite testing by the Company, such defects may be discovered only after a product has been installed and used by customers. Such errors or performance problems could avoid detection in future shipments of the Company's products and result in expensive and time consuming design modifications, damaged customer relationships and a loss of market share.

As new products are introduced, the Company must attempt to monitor closely the range of its products to be replaced and to phase out their production and distribution in a controlled manner. There can be no assurance, however, that such product transitions will be executed without adversely affecting overall product sales or that the Company will be successful in identifying, developing, and marketing new products or enhancing its existing products.

The development of new products has required, and will continue to require, the Company to expend significant financial and management resources. The Company's business would be materially adversely affected if the Company were to incur delays in developing new products or enhancements or if such products or enhancements did not gain market acceptance. In addition, there can be no assurance that products or technologies developed by one or more of the Company's present or potential competitors could not render obsolete both present and future products of the Company.

There can be no assurance that the useful life of any product will be long enough to enable the Company to recover its development costs. In addition, sales of certain of the Company's products generally may decline over time unless the products are enhanced or repackaged.

Changing Customer Preferences

Customer preferences are continually changing. There can be no assurance that the Company's products will receive and/or maintain substantial market acceptance. Changes in customer preferences could adversely affect levels of market acceptance of the Company's products and its operating results.

Exposure to foreign exchange risk

The Company carries out transactions using a number of currencies. For the financial period ending 30 April 2008, the main currencies used by the Company for sales to customers and purchases from its suppliers were Pounds Sterling and US Dollar. In addition a small proportion of sales and purchases were made in Euros.

Transaction exposure is hedged through the use of currency accounts where payments and receipts in the same currency are offset, and where thought appropriate, the net exposure is covered by forward contracts.

Although a significant proportion of both sales and purchases during the year ended 30 April 2008 were denominated in US Dollar, the net exposure to US Dollar transactions (because of offsetting) was low during that period and accordingly the amount of losses arising as a result of currency transactions was also low. Because of anticipated changes in purchasing arrangements, the Directors believe that net exposure to US Dollar transactions will increase in future periods. Accordingly the cost of currency hedging is likely to increase as will the risk of foreign exchange losses.

A significant proportion of the Company's assets are denoted in US Dollars. An adverse movement in the value of the US Dollar relative to Pound Sterling would lead to a devaluation of these assets in the accounts of SDI.

Product warranty claims

In the event of claims against the Company by customers under product warranties, the Company may be exposed to significant financial costs. Furthermore, if any product failures were to involve safety issues, the Company could be exposed to unlimited claims for damages, and if such claims were successful, there could be a material adverse impact on the financial results of the Company.

Regulation

The Company's business and its future expansion may be affected by the introduction of new legislation or regulation relating to the products which it currently manufactures and/or distributes or may in the future manufacture and/or distribute.

Intellectual property

The Company's ability to compete successfully will depend on its ability to protect its proprietary technology. The Company has a small portfolio of patents covering some aspects of its product designs. In choosing not to seek patent protection for most of its proprietary technology, the Company instead has relied on the complexity of its technology, its trade secret protection policies, common law trade secret laws, copyrights, and confidentiality and/or license agreements entered into with its employees, suppliers, sales agents, customers, potential customers and others.

As a part of its trade secret protection policies, the Company tries to limit access to, and distribution of, its software, related documentation and other proprietary information. Despite precautions which may be taken by the Company to protect its products, unauthorised parties may attempt to copy, or obtain and use its products and other technology incorporated in its products. Alternative technological solutions to the development of products similar to the Company's products are available to competitors or prospective competitors of the Company.

Further, there can be no assurance that the Company will seek or obtain patent protection for future technological developments or that any patents applied for, already granted or that may be granted in the future, would be enforceable or would provide the Company with meaningful protection from competitors.

To the extent that the Company's products are protected by intellectual property rights, litigation may be necessary to protect such rights and could result in substantial costs to, and diversion of effort by the Company with no guarantee of success. In order to avoid such expense or diversion of resources, the Company could agree to enter into a license agreement or other settlement arrangement, notwithstanding the Company's continuing belief in its position.

In addition, there can be no assurance that the Company's existing products do not, and that its future products will not, infringe any patents or rights of others. If a patent infringement claim is asserted against the Company, whether or not the Company is successful in defending such claim, the defence of any such claim may be very costly and cause diversion of resources by the Company with no guarantee of success. In order to avoid such expense or diversion of resources, the Company could agree to enter into a license agreement or other settlement arrangement, notwithstanding the Company's continuing belief in its position.

The failure of the Company to protect its proprietary information, and/or the expense of doing so, could have a material adverse effect on its operating results and financial condition.

Dependence on key personnel

The future performance of the Company will depend on its ability to retain the services of the Directors and certain key employees and to recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel. The Directors and key employees are expected to play an important role in the development and growth of the Company, in particular by developing new technology and maintaining good business relationships with the Company's existing customers and suppliers.

Although the Directors and certain key employees have entered into service agreements or letters of appointment with the Company and the Board has sought to ensure that they are properly incentivised, there can be no assurance that the Company will retain their services. The process of hiring employees with the necessary combination of skills and attributes can be time-consuming and it may not be possible to identify or employ suitably qualified alternative personnel on a timely basis, if at all. Similarly the loss of service of any Director or key employee may have an adverse impact on the Company's business. To mitigate this, the Company has arranged key man insurance in respect of members of the senior management team.

Dependence upon external suppliers

The Company relies on one or only a limited number of suppliers for certain key components. These suppliers are located in various countries. As a result, the Company's relationships with these suppliers are subject to political, legal, economic and other uncertainties, in addition to general risks associated with reliance on limited sources of supply. A change of control of a supplier could also adversely affect the Company's ability to obtain supplies and provide continuity of service on the same or other favourable terms, if at all. The Company does not have long-term purchasing arrangements with its suppliers. Obtaining an alternative source of supply of critical components could involve significant delays and other costs; alternative components may not be available to the Company on reasonable terms, if at all; and this may have a material adverse effect on the Company's business. The failure of a component supplier to provide acceptable quality, or an interruption of supplies from such a supplier as a result of a fire, natural calamity, strike or other significant event, could materially and adversely affect the Company's business.

Growth management

There can be no assurance that the anticipated growth of the Company will be successfully managed. The Company would have to engage the services of additional technical, scientific, sales and marketing and administrative personnel to handle any material growth in the Company's business. Prior to such additional personnel being engaged, the additional demands placed on the Company's existing resources could impair its ability to maintain its service to its customers.

Risks of possible future acquisitions

The Company intends to acquire businesses, products or technologies that could complement or expand the Company's business. If the Company identifies an acquisition candidate, there can be no assurance that the Company would be able to integrate such acquired businesses, products or technologies into the Company's existing business and products. The negotiation of potential acquisitions as well as the integration of an acquired business could cause diversion of management's time and resources. Any potential acquisition, whether or not completed, could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company completes one or more significant acquisitions in which consideration consists of shares in the Company, Shareholders could suffer significant dilution of their interests in the Company. In addition, the Company could incur or assume substantial debt in connection with an acquisition. Such debt could adversely affect the Company's ability to obtain financing for working capital or other purposes, make the Company more vulnerable to economic downturns and competitive pressures and have a material adverse effect on the Company's business.

GENERAL RISKS

Trading and liquidity in the Ordinary Shares and AIM

An investment in the Ordinary Shares is speculative and subject to a high degree of risk. The price of publicly quoted securities can be volatile and is dependent upon a number of factors, some of which are general market or sector specific and others that are specific to the Company. Only those who can bear the risk of the loss of their entire investment should invest in the Company.

Application will be made for the Ordinary Shares to be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The Ordinary Shares will not be quoted on the Official List. The rules of AIM are less demanding than those of the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UKLA have examined this document for the purposes of the Admission.

Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares particularly as, on Admission, the Company will have a limited number of Shareholders. An investment in the Ordinary Shares may therefore be difficult to realise. In addition, the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally.

The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. The Company is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment and a prospective investor should not consider an investment in the Company unless he is certain he will not have to liquidate his investment for an indefinite period of time. The share price may be subject to greater fluctuation on small volumes of shares and thus the Ordinary Shares may be difficult to sell at the quoted market price. The value of the Ordinary Shares may go down as well as up. The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. Investors may therefore realise less than their original investment or sustain a total loss of their investment.

Orderly market arrangements

On Admission, the Directors will, in aggregate, have an interest in 1,790,754 Ordinary Shares representing 10.75 per cent. of the share capital which will be subject to orderly market arrangements, for a period of 12 months after Admission. In addition, certain Shareholders who on Admission will, in aggregate, have an interest in 4,288,312 Ordinary Shares, representing 25.73 per cent. of the share capital, have undertaken to the Company that they will not dispose of their interests in Ordinary Shares for a period of 12 months from Admission and for an additional 12 months thereafter will only dispose of their interests in Ordinary Shares through the Company's Broker. Whilst these arrangements are designed to ensure an orderly market in the Ordinary Shares, there can be no guarantee that a sale of a large number of Ordinary Shares, particularly following the end of these orderly market arrangements, will not adversely affect the market price of Ordinary Shares.

General economic conditions

Market conditions may affect the ultimate value of the Company's share price regardless of operating performance. The Company could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks and political unrest and/or government legislation or policy. Market perception of technology companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise funds by an issue of further shares in the Company. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining debt financing. General economic conditions may adversely affect the stability of financial institutions, and the Company may suffer the loss of, or restrictions in access to, its financial assets deposited in such institutions. Such instability may lead to reduced access to funds by its customers and suppliers and this could have a material adverse impact on the Company's ability to trade.

Legal Risk

The possibility exists that new legislation or regulations in any relevant jurisdiction may be adopted in the future that may materially adversely affect the Company's operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Company or its customers to change operations significantly or incur increased costs which could have a material adverse effect on the financial results of the Company.

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Company's plans, goals and prospects. The Company's actual results and operations could differ materially from those anticipated in such forward-looking statements as a result of many factors including the risks faced by the Company which are described above and elsewhere in this document. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual results will not differ materially from those described in this document.

PART III — (A)

SPECIAL PURPOSE IFRS HISTORICAL FINANCIAL INFORMATION

ACCOUNTANTS' REPORT ON SCIENTIFIC DIGITAL IMAGING PLC

LITTLEJOHN

The following is the text of a report received from Littlejohn, reporting accountants:

The Directors
Scientific Digital Imaging plc
Beacon House
Nuffield Road
Cambridge
CB4 1TF

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

The Directors
Dowgate Capital Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
West Sussex
RH10 1LQ

2 December 2008

Dear Sirs

SCIENTIFIC DIGITAL IMAGING PLC ("the Company")

Introduction

We report on the special purpose financial information set out in this Part III(A) "Special Purpose IFRS Historical Financial Information" relating to the Company together with its subsidiary undertakings (the "Group"). This information has been prepared for inclusion in the AIM admission document dated 2 December 2008 (the "Admission Document") relating to the proposed admission to AIM of the Company and on the basis of the accounting policies set out in note 1. This report is given for the purpose of complying with Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the special purpose financial information on the basis set out in the notes to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion on the special purpose financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the special purpose financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in this Part III(A) “Special Purpose IFRS Historical Financial Information” gives, for the purposes of the AIM Admission Document dated 2 December 2008, a true and fair view of the state of affairs of the Group as at 30 April 2008 and 30 April 2007, and of its income statement, balance sheet, cash flows and statement of changes in equity for the periods then ended in accordance with the basis of preparation and in accordance with IFRS as described in note 1 of this Part III(A).

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Littlejohn
Chartered Accountants

CONSOLIDATED INCOME STATEMENT

	Note	*2008* £	*2008* £	*2007* £	*2007* £
Revenue	5		5,728,057		5,648,431
Costs of sales			(2,446,824)		(2,625,407)
Gross Profit			3,281,233		3,023,024
Administrative expenses			(3,060,543)		(2,676,867)
Operating profit			220,690		346,157
Finance income		10,521		2,024	
Finance payable and similar charges	8	(48,923)		(49,729)	
			(38,402)		(47,705)
Profit before taxation	6		182,288		298,452
Taxation	9		(33,219)		55,122
Profit for the financial year			149,069		353,574
Earnings per share					
Basic earning per share	10		0.92		2.21
Diluted earnings per share	10		0.84		2.02

All activities of the Group are classed as continuing.

CONSOLIDATED BALANCE SHEET

	Note	*2008* £	*2007* £
Assets			
Non-current assets			
Intangible assets	11	225,919	175,871
Property, plant and equipment	12	230,892	211,958
Deferred tax asset	13	49,983	77,427
		506,794	465,256
Current assets			
Inventories	14	372,797	339,153
Trade and other receivables	16	1,224,557	1,008,419
Cash and cash equivalents	15	372,709	275,761
		1,970,063	1,623,333
Total assets		2,476,857	2,088,589
Equity			
Share capital	21	163,306	159,978
Merger reserve		2,606,016	2,500,494
Own shares held by Employee Benefit Trust	22	(250,147)	(312,500)
Other reserves		22,872	35,763
Retained earnings		(1,139,241)	(1,266,195)
Total Equity		1,402,806	1,117,540
Liabilities			
Non-current liabilities			
Borrowings	20	32,719	11,483
Deferred tax liability	13	47,872	38,454
		80,591	49,937
Current liabilities			
Trade and other payables	17	953,201	676,715
Provisions for warranty	19	10,000	10,000
Borrowings	20	29,393	234,109
Current tax payable		866	288
		993,460	921,112
Total liabilities		1,074,051	971,049
Total equity and liabilities		2,476,857	2,088,589

CONSOLIDATED CASH FLOW STATEMENT

	2008	*2007*
	£	£
Operating activities		
Profit for the year after tax	149,069	353,574
Depreciation and amortisation	230,228	214,298
Profit on sale of property, plant and equipment	(4,997)	(1,844)
Finance costs	38,402	48,470
Taxation expense in the income statement	33,219	(55,122)
(Increase)/decrease in inventories	(33,644)	51,076
Changes in trade and other receivables	(276,027)	(129,603)
Changes in trade and other payables	276,486	(21,172)
Exchange difference	(2,948)	(1,129)
Employee share based payments	12,634	–
	422,422	458,548
Income taxes refunded	59,601	–
Cash generated from operating activities	482,023	458,548
Investing activities		
Purchase of property plant and equipment	(165,904)	(111,582)
Investment in development	(129,963)	(65,624)
Disposals of property, plant and equipment	67,877	66,340
Interest received	10,521	1,259
Net cash used in investing activities	(217,469)	(109,607)
Financing activities		
Interest paid	(35,027)	(36,287)
Capital element of finance leases	(38,271)	(25,066)
Issues of shares and warrants	36,220	–
Repayment of short term loans	(104,962)	(17,684)
Net cash from financing	(142,040)	(79,037)
Net changes in cash and cash equivalents	122,514	269,904
Cash and cash equivalents, beginning of year	250,195	(19,709)
Cash and cash equivalents, end of year	372,709	250,195

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £	*Merger Reserve* £	*Shares held by EBT* £	*Other Reserves* £	*Profit and loss account* £	*Total* £
Balance as at 1 May 2006	159,978	2,500,494	(312,500)	35,722	(1,618,640)	765,054
Foreign exchange on consolidation of subsidiary	–	–	–	–	(1,129)	(1,129)
Deferred tax on options	–	–	–	41	–	41
Net income recognised directly in equity	–	–	–	41	(1,129)	(1,088)
Profit for the year	–	–	–	–	353,574	353,574
Total recognised income/ (expense) for the period	–	–	–	41	352,445	352,486
Balance at 30 April 2007	159,978	2,500,494	(312,500)	35,763	(1,266,195)	1,117,540
Foreign exchange on consolidation of subsidiary	–	–	–	–	(2,948)	(2,948)
Deferred tax on options	–	–	–	(4,509)	–	(4,509)
Net income recognised directly in equity	–	–	–	(4,509)	(2,948)	(7,457)
Profit for the year	–	–	–	–	149,069	149,069
Total recognised income/ (expense) for the period	–	–	–	(4,509)	146,121	141,612
Conversion of loan stock	2,528	92,272	–	(21,016)	21,016	94,800
Conversion of warrants	800	13,250	–	–	–	14,050
Share options exercised	–	–	22,170	–	–	22,170
EBT adjustment	–	–	40,183	–	(40,183)	–
Share based payments	–	–	–	12,634	–	12,634
	–	–	–	–	–	–
Balance at 30 April 2008	163,306	2,606,016	(250,147)	22,872	(1,139,241)	1,402,806

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Reporting entity

Scientific Digital Imaging plc, a public limited company, is the Group's ultimate parent. It is registered in England and Wales. The consolidated financial information of the Company comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed below.

Subsidiary undertakings	*Country of Incorporation*	*Holdings*	*Proportion of voting rights*	*Nature of Business*
Synoptics Limited	England and Wales	Ordinary Shares	100%	Manufacturer

The following companies are all wholly owned subsidiaries of 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

Basis of Preparation

The consolidated financial information has been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The financial information in this Part III(A) does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The financial statements have been prepared on the historical cost basis. The principal accounting policies of the Group are set out below.

The comparative information has been restated in accordance with IFRS. The changes to accounting policies are explained in note 4, together with the reconciliation of opening balances. The date of transition to IFRS was 1 May 2006 (transition date).

The Group has taken advantage of certain exemptions available under IFRS 1 First-time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policy.

As permitted by IFRS 1, the following key exemptions have been taken in the transition to IFRS. Recognition and measurement requirements of IFRS 2 'Share Based Payments' have only been applied to equity instruments granted after 7 November 2002 that had not vested by 1 May 2006.

The consolidated financial information is presented in British pounds (£), which is also the functional currency of the ultimate parent company.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. The financial information of subsidiaries are included in consolidated financial information 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, is eliminated in preparing the consolidated statements.

On 28 September 2007 Scientific Digital Imaging plc was incorporated as the new parent entity and subsequently acquired the entire issued share capital of Synoptics Limited group via a share for share exchange. For the purpose of preparing the consolidated accounts this transaction is not considered to be a business combination.

The financial information has been prepared on the assumption that the Scientific Digital Imaging group in its form following the group reorganisation has always been in existence and that there has been no change in the group structure. The Consolidated Income Statement therefore includes the results of these companies for the whole of the period with comparative figures for the year ended 30 April 2007, being those for these companies as if the Group existed that year. The comparative balance sheet at 30 April 2007 is as previously presented as the audited position of Synoptics Limited group, except that the share capital and share premium account have been restated to reflect the position assuming the share for share exchange had occurred at 30 April 2007.

Revenue Recognition

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyers. 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.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or in providing products in a particular economic environment which is subject to risks and rewards that are different from those of the other segments.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. Residual values and useful economic lives are assessed annually.

Depreciation is charged to the income statement 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.

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
Leasehold improvements	5 years

Leased Assets

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

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

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. Provision 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.

Taxation

Income tax expense comprises the current and deferred tax. Income tax is recognised in the income statement.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 differences 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax 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.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Foreign Currency

Transactions entered into by Group entities in a currency other than sterling (the "functional currency") 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 rate of exchange prevailing at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

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 directly in the currency reserve.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS but includes later translation differences.

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.

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 product or process is technically and commercially feasible, and the Group has sufficient resources to complete the development. 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 income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives of current development cost projects are between three and five 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.

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

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.

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 has 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 income statement.

Provisions

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.

Financial Assets

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents. Trade and other receivables are stated at their cost less any impairment losses. The carrying amounts of the Group's assets are reviewed at each balance sheet to determine whether there is any indication of impairment. If any such indication exists the assets recoverable amount is estimated being the greater of their net selling price and value in use. 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 assessment of the time value of the money and risks specific to the asset. Receivables with a short duration are not discounted.

An impairment loss in respect of trade and other receivables is reversed if there has been a change in the estimates used to determine the recoverable amount.

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 an interest bearing confidential invoice discounting facility. All financial liabilities are measured at amortised cost.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Merger reserve" represents the excess of the fair value of the net assets acquired from Synoptics Limited and the nominal value of its equity shares.
- "Other reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Retained earnings" represents retained profits.

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 spread over the performance period during which the employees become unconditionally entitled to the award.

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 if material. The amounts recognised as an expense is only adjusted to reflect changes in non-market conditions such as the actual number of forfeitures.

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 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: Disclosure and Presentation, such instruments are to be split into their debt and equity elements, with each element being accounted for separately.

At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument. The residual is the difference between the net proceeds of issue and the liability component (at time of issue) and is accounted for as an equity instrument.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the financial liability.

On conversion of debt to equity, the carrying value of the debt instrument is transferred to equity and no gain or loss arises on the conversion.

Standards and Interpretations Currency 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.

- IAS 1 Presentation of Financial Statements (revised 2007) (effective for accounting periods beginning on or after 1 January 2009)
- IAS 23 Borrowing Costs (Revised 2007) (effective for accounting periods beginning on or after 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective for accounting periods beginning on or after 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009)
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for accounting periods beginning on or after 1 July 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective for accounting periods beginning on or after 1 July 2009)
- IFRS 3 Business Combinations (Revised 2008) (effective for accounting periods beginning on or after 1 July 2009)
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009)
- IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008)
- IFRIC 14 , IAS 19 The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008)
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009)

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008)

Based on the Group's current business model and accounting policies, management does not expect material impacts on the consolidated financial statements when the Interpretations become effective, except the amendment to IAS 1 and IFRS 8 that will impact on the presentation of the financial statements and IFRS 3 which will require acquisition costs to be expensed. The Group does not intend to apply any of these pronouncements early.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses various financial instruments, including short term loans, invoice discounting and loan stock. The main purpose of these financial instruments is to raise finance and provide working capital 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.

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.

A significant proportion of the Group's assets are denoted in dollars. An adverse movement in exchange rate could lead to a devaluation of these assets.

In addition, elements of the Group's revenue and overhead transactions are completed in a foreign currency. Transaction exposure is hedged through the use of currency accounts, and where thought appropriate the net exposure is covered by financial instruments.

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.

Payment policy and practice

It is the Company's policy, which is also 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 and will abide by them. Trade payables at the year end amount to 85 days (2007: 63 days) of average supplies.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of consolidated financial information under IFRS 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 recognition 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.

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 that have the most significant effect on the amount recognised in the financial statements is 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. 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.

Impairment of intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment.

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.

Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share based payment transactions

The fair value of employee share options is measured using the Black Scholes model. The fair value is measured at the grant date and spread over the performance period during which the employees become unconditionally entitled to the award. The Black Scholes model takes into account the terms and conditions upon which the grants were made.

4. TRANSITION TO IFRS

IFRS 1 *First-time adoption of International Financial Reporting Standards* sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing the special purpose financial information. The Group established its IFRS accounting policies on its transition date, 1 May 2006, and applied these to the IFRS opening balance sheet at its date of transition, 1 May 2006. The principal changes to UK GAAP accounting policies are:

IAS 19 *Employee Benefits* requires the recording of holiday pay accruals.

IAS 38 *Intangible Assets* requires the Group to capitalise development costs if;

- 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 asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset would generate probable future economic benefits. Among other things, this required that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

The net effect in the Consolidated Income Statement may be summarised as follows:

	2008 £	2007 £
Net profit for the year:		
Under UK GAAP	69,302	367,222
IAS 38 Intangible Assets	50,048	(15,720)
IAS 19 Employee Benefits	(3,113)	(769)
IAS 12 Deferred Tax	(7,351)	2,841
IAS 32 Employee Benefit Trust Reclassification	40,183	–
Restated under IFRS	149,069	353,574

The net effect on the Consolidated Balance Sheet as at 1 May 2007 may be summarised as follows:

	Under UK GAAP	*IAS 19*	*IAS 38*	*Deferred Tax*	*Restated under IFRS*
Assets	£	£	£	£	£
Non-current					
Intangibles	–		175,871	–	175,871
Deferred taxation	62,680	–	–	14,747	77,427
Total Assets	**1,897,971**	**–**	**175,871**	**14,747**	**2,088,589**
Equity					
Retained earnings	(1,377,090)	(26,522)	175,871	(38,454)	(1,266,195)
Other reserves	21,016	–	–	14,747	35,763
Liabilities					
Current					
Trade and other payables	(650,193)	(26,522)	–	–	(676,715)
Non-current liabilities					
Deferred taxation	–	–	–	38,454	38,454
Total Equity and liabilities	**1,897,971**	**–**	**175,871**	**14,747**	**2,088,589**

The effect on the Consolidated Balance Sheet as at 30 April 2008 may be summarised as follows:

	Under UK GAAP	*IAS 19*	*IAS 38*	*Deferred Tax*	*Restated under IFRS*
Assets	£	£	£	£	£
Non-current					
Intangibles	–	–	225,919	–	225,919
Deferred taxation	37,678	–	–	12,305	49,983
Total Assets	**2,238,633**	**–**	**225,919**	**12,305**	**2,476,857**
Equity					
Retained earnings	(1,289,720)	(29,635)	225,919	(45,805)	(1,139,241)
Other reserves	12,634	–	–	10,238	22,872
Liabilities					
Current					
Trade and other payables	(923,566)	(29,635)	–	–	(953,201)
Non-current liabilities					
Deferred taxation	–	–	–	47,872	47,872
Total Equity and liabilities	**2,238,633**	**–**	**225,919**	**12,305**	**2,476,857**

The effect of the above transactions on the Group cashflow is not material.

5. SEGMENT ANALYSIS

Management consider that there is one primary business segment for the supply of digital imaging equipment. A secondary geographical segmental analysis by location and business is set out below:

	UK		*USA*		*TOTAL*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*
	£	£	£	£	£	£
Revenue	4,363,515	4,085,895	1,364,542	1,562,536	5,728,057	5,648,431
Net profit before tax and depreciation and amortisation	311,428	391,532	60,905	121,218	372,333	512,750
Profit before tax	188,009	226,376	(5,721)	72,076	182,288	298,452
Net Assets	2,648,638	1,926,250	(1,245,832)	(808,710)	1,402,806	1,117,540
Capital expenditure	118,163	64,453	113,964	62,129	232,127	126,582

The geographical analysis of turnover by destination is set out below:

	2008	*2007*
	£	£
United Kingdom	1,443,367	914,546
Europe	1,660,062	1,566,211
America	1,364,087	1,568,964
Asia	1,011,734	1,241,461
Rest of World	248,807	357,249
	5,728,057	5,648,431

6. PROFIT BEFORE TAXATION

The profit on ordinary activities before taxation is stated after:

	2008	*2007*
	£	£
Amortisation on development costs	79,915	81,344
Depreciation charge for year:		
Property, plant and equipment	105,894	101,053
Property, plant and equipment held under finance leases	44,419	31,901
Research and development costs	365,774	387,376
Foreign exchange losses	1,251	56,756
Auditor's remuneration group:		
Audit of group accounts	23,750	21,000
Fees paid to the auditor and its associates in respect of other services	2,500	6,500
Corporate finance costs	130,769	25,000
Rental of land and buildings	78,554	78,554

During 2008 the Group continued a project exploring potential acquisitions and seeking liquidity for its Shareholders. £130,769 (2007: £25,000) of the costs incurred in this exercise have been written off to the Income Statement during the year and are shown as Corporate finance costs above.

7. DIRECTORS AND EMPLOYEES REMUNERATION

Staff costs were as follows:

	2008	*2007*
	£	*£*
Wages and salaries	1,632,478	1,435,966
Social security costs	146,342	131,180
Share based payments	12,634	–
Other pension costs	53,146	46,588
	1,844,600	1,613,734

The average number of employees of the Group was:

	2008	*2007*
	Number	*Number*
Administration	6	5
Production	14	12
Product development	7	7
Sales and marketing	9	11
	36	35

The directors have identified 5 key management personnel, including Directors. Compensation of the key management is set out below:

	2008	*2007*
	£	*£*
Emoluments (excluding pension contributions)	463,002	438,688
Amounts payable to third parties in respect of Directors' services	57,121	55,858
Pension contributions paid into a defined contribution scheme	17,697	16,763
Share based contributions	857	–
	538,677	511,309

During 2008 one director exercised 6,250 share options held over ordinary shares of Synoptics Limited prior to the reorganisation.

	2008	*2007*
	Number	*Number*
Number of Directors who are members of a money purchase pension scheme	1	1

Share based employee remuneration

An employee share option scheme (approved scheme) has 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. Both schemes have been approved by Shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs as required by the Finance Act 1984 and the Finance Act 1980 respectively.

Following the change in group structure with the introduction of the new parent entity, Scientific Digital Imaging plc, in December 2007, all outstanding share options over shares in Synoptics Limited were replaced with share options over shares in Scientific Digital Imaging plc. For each £1 option held in Synoptics, 8 replacement options in Scientific Digital Imaging plc were issued with an exercise price of £0.125.

A summary of options currently outstanding are as follows:

	2008		*2007*	
	Number of share options	*Exercise price of options*	*Number of share options*	*Exercise price of options*
Outstanding at beginning of period	190,240	£1.00	202,600	£1.00
Granted during the year	76,000	£1.00	–	–
Exercised during the year	(22,170)	£1.00	–	–
Expired during the year	(42,600)	£1.00	(12,900)	£1.00
Replaced during the year	(201,470)	£1.00	–	–
Exchanges for SDI share options	1,611,760	£0.125	–	–
Outstanding at the end of the year	1,611,760	£0.125	190,240	£1.00
Exercisable at the end of the year	1,003,760	£0.125	190,240	£1.00

During 2008 staff exercised 22,170 £1 share options in Synoptics Limited. The shares to fulfil these options were transferred from the Synoptics Employee Benefit Trust and had been carried in the trust at a value of £62,353. This resulted in a charge of £40,183 to equity.

The fair value of new options granted in 2008 has been based on an expected volatility of 30%, risk free interest rate of 4.2%, dividend yield rate of 0% and an expected option life of 10 years. Volatility was estimated based on companies in similar industries. As an unlisted company, management do not consider that there is sufficient information on the volatility of Scientific Digital Imaging plc's share price on which to base an estimate of expected future volatility. Also, the historical share price volatility is not considered to be a realistic indicator of future share price volatility.

The Company uses the Black-Scholes model to value options. Based on a share price of £0.176 at the date of the grant the valuation model has calculated a fair value of £0.11 per option granted in 2008.

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.

	2008	*2007*
	£	*£*
Current pension obligations included in liabilities	9,502	8,380

8. FINANCE COSTS

	2008	*2007*
	£	*£*
Bank overdraft, invoice discounting and loan	20,665	18,812
Finance leases and hire purchase contracts	7,527	4,539
Loan stock	6,835	12,936
Other debt finance costs	13,896	13,442
	48,923	49,729

9. TAXATION

	2008 £	2007 £
Current tax	866	(59,601)
Movement in deferred tax asset	32,353	4,479
Taxation charge (credit)	33,219	(55,122)

The relationship between the expected tax expense based on the standard tax rate of the Group at 30% (2007: 30%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2008 £	2007 £
Profit on ordinary activities before tax	182,288	298,452
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2007: 30%)	54,686	89,536
Effects of:		
Results on overseas earnings not recognised	–	(13,755)
Expenses not deductible for tax purposes	8,684	11,313
Additional deduction for R&D expenditure	(14,584)	–
Transferred to tax losses brought forward	2,463	(23,350)
Changes in tax rate	33	9
Adjustments to tax charge in respect of prior years	–	(86,127)
Marginal relief	(18,063)	(32,748)
	33,219	(55,122)

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Scientific Digital Imaging Plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable to shareholders	*Weighted average number of shares*	*Basic earnings per share amount in pence*
Year ended 30 April 2008	£149,069	16,136,427	0.92
Year ended 30 April 2007	£353,574	15,997,760	2.21

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 2008, as adjusted for dilutive share options. The weighted average number of shares and derivative options for 2007 assumes the parent entity was in existence throughout.

	Dilutive options	*Diluted earnings per share amount in pence*
Year ended 30 April 2008	1,587,255	0.84
Year ended 30 April 2007	1,541,308	2.02

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

	2008	*2007*
Weighted average number of ordinary shares used for basic earnings per share	16,136,427	15,997,760
Weighted average number of ordinary shares under option	1,587,255	1,541,308
Weighted average number of ordinary shares used for diluted earnings per share	17,723,682	17,539,068

11. INTANGIBLE ASSETS

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

	Research and development	
	2008	*2007*
	£	*£*
Cost		
At 1 May	322,214	256,590
Additions	129,963	65,624
At 30 April	452,177	322,214
Amortisation		
At 1 May	146,343	64,999
Amortisation for the year	79,915	81,344
At 30 April	226,258	146,343
Net book amount at 30 April	225,919	175,871

The amortisation charge is included within administrative expenses within the Income Statement.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	*Computer equipment*	*Tools and other equipment*	*Furniture fixtures and fittings*	*Leasehold improvements*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost						
At 1 May 2007	125,043	167,387	565,421	115,630	55,746	1,029,227
Additions	36,344	38,938	156,085	760	–	232,127
Disposals	(35,366)	–	(108,886)	–	–	(144,252)
At 30 April 2008	126,021	206,325	612,620	116,390	55,746	1,117,102
Depreciation						
At 1 May 2007	82,767	160,641	411,202	111,028	51,631	817,269
Charge for year	35,977	12,617	97,797	2,137	1,785	150,313
Disposals	(35,366)	–	(46,006)	–	–	(81,372)
At 30 April 2008	83,378	173,258	462,993	113,165	53,416	886,210
Net book value						
At 30 April 2008	42,643	33,067	149,627	3,225	2,330	230,892

	Motor vehicles £	*Computer equipment* £	*Tools and other equipment* £	*Furniture fixtures and fittings* £	*Leasehold improvements* £	*Total* £
Cost						
At 1 May 2006	120,528	161,578	605,289	116,244	55,746	1,059,385
Additions	19,416	5,883	100,125	1,158	–	126,582
Disposals	(14,901)	(74)	(139,993)	(1,772)	–	(156,740)
At 30 April 2007	125,043	167,387	565,421	115,630	55,746	1,029,227
Depreciation						
At 1 May 2006	70,986	152,520	392,926	110,679	49,448	776,559
Charge for year	26,682	8,195	93,773	2,121	2,183	132,954
Disposals	(14,901)	(74)	(75,497)	(1,772)	–	(92,244)
At 30 April 2007	82,767	160,641	411,202	111,028	51,631	817,269
Net book value						
At 30 April 2007	42,276	6,746	154,219	4,602	4,115	211,958

The net book value of property, plant and equipment includes an amount of £52,241 (2007: £42,164) in respect of assets held under finance leases and hire purchase contracts. Of this amount £25,073 (2007: £42,164) relates to motor vehicles and £27,168 (2007: nil) relates to furniture, fixtures and fittings.

Depreciation on these assets is £35,363 (2007: £26,568) and £9,056 (2007: £5,333) respectively.

13. DEFERRED TAX

	Deferred tax asset £	*Deferred tax liability* £
At 1 May 2006	84,706	(41,295)
Charge/credit to income statement	–	2,841
Utilised	(7,320)	–
Credit to equity	41	–
At 30 April 2007	77,427	(38,454)
At 1 May 2007	77,427	(38,454)
Utilised	(25,002)	–
Charge/credit to income statement	2,067	(9,418)
Debit to equity	(4,509)	–
At 30 April 2008	49,983	(47,872)

	2008		2007	
	Asset	*Liability*	*Asset*	*Liability*
	£	£		£
Intangible assets	–	(43,425)	–	(33,415)
Other timing differences	–	(4,447)	–	(5,039)
Share based payments	12,305	–	14,747	–
Trading losses	37,678	–	62,680	–
	49,983	(47,872)	77,427	(38,454)

14. INVENTORIES

	2008	*2007*
	£	£
Raw materials and consumables	259,893	219,966
Work in progress	53,434	82,290
Finished goods	59,470	36,897
	372,797	339,153

In the year ended 30 April 2008 a total of £2,446,824 (2007: £2,625,407) inventories were consumed and charged to the Income Statement as an expense. In addition a total charge was made of £15,758 (2007: £10,500) resulting from the write down of inventories.

No reversal of previous write downs was recognised as a reduction in expenses in 2008 or 2007.

In determining the net selling price of inventories, management takes into account the most reliable evidence available at the time the estimates were made.

15. CASH AND CASH EQUIVALENTS

	2008	*2007*
	£	£
Cash at bank and in hand	372,709	275,761
Invoice discounting facility	–	(25,566)
	372,709	250,195

The invoice discounting facility is secured by a fixed and floating charge over the assets of the Group. The invoice discounting balance is included in bank borrowings in note 20.

16. TRADE AND OTHER RECEIVABLES

	2008	*2007*
	£	£
Trade receivables	1,113,959	854,381
Other receivables	42,806	94,473
Prepayments and accrued income	67,792	59,565
	1,224,557	1,008,419

All amounts are short-term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indications of impairment.

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

	2008
	£
Impairment provision as at 1 May 2007	6,000
Impairment losses recognised	(329)
Increase in provision	2,829
Provision as at 30 April 2008	8,500

In addition, some of the unimpaired trade receivables are past due at the reporting date. The age of financial assets past due but not impaired is as follows:

	2008	*2007*
	£	*£*
More than 1 month but not more than 3 months	371,802	356,883
More than 3 months but not more than 6 months	421	39,976
More than 6 months but not more than 1 year	14,110	173
More than 1 year	8,867	2,609
	395,200	399,641

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

17. TRADE AND OTHER PAYABLES

	2008	*2007*
	£	*£*
Trade payables	569,219	452,190
Social security and other taxes	46,031	41,394
Other payables	216,020	87,528
Accruals and deferred income	121,931	95,603
	953,201	676,715

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

18. LEASE LIABILITIES

The Group's motor fleet and a number of computers are held under finance lease arrangements. The net carrying amount of the assets held under leases is £52,241 (2007: 42,164).

30 April 2008	*Within 1 year* £	*1 to 5 years* £	*Total* £
Gross lease payments	34,740	34,899	69,639
Future interest	(5,347)	(2,180)	(7,527)
Net Present Values	29,393	32,719	62,112

30 April 2007	*Within 1 year* £	*1 to 5 years* £	*Total* £
Gross lease payments	24,472	12,095	36,567
Future interest	(1,795)	(612)	(2,407)
Net Present Values	22,677	11,483	34,160

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

19. WARRANTIES

	2008 £	*2007* £
Warranty provision	10,000	10,000

Warranties of between 1 and 3 years are given with the sales of products. There are potential costs associated with the repair of goods under these warranties which could occur anytime over the next 3 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.

20. BORROWINGS

Borrowings are repayable as follows:

	2008 £	*2007* £
Within one year		
Bank borrowings – Invoice discounting	–	25,566
Bank borrowings – Small Firms Loan	–	14,962
Loan stock	–	170,904
Finance leases	29,393	22,677
	29,393	234,109
After one and within two years		
Finance leases	27,229	8,263
After two and within five years		
Finance leases	5,490	3,220
	62,112	245,592

The bank loan under the Small Firms Loan Guarantee scheme was fully repaid in March 2008.

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 was considered to be a compound instrument. The value of the liability component was calculated based on the present value of the future cash flows in respect of payments that the Company is obliged to make to holders of its loan stock. The value of £21,016 included within equity under the heading 'Other reserve' is the residual amount.

At the date of the acquisition of Synoptics Limited by Scientific Digital Imaging Plc, £90,000 of the loan stock was repaid and £94,800 was converted into equity.

21. SHARE CAPITAL

	2008	*2007*
	£	*£*
Authorised		
100,000,000 Ordinary Shares of 1p each	1,000,000	1,000,000
Allotted, called up and fully paid		
16,330,560 Ordinary Shares of 1p each	163,306	159,978

The whole of the share capital was issued in connection with the share for share exchange of Synoptics Limited in December 2007. The comparative states the share capital assuming the share exchange had occurred at 30 April 2007. Prior to the share for share exchange the issued share capital was increased by 41,600 following the conversion of loan stock and warrants.

22. OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

	Investment in own shares
	£
At 1 May 2007	312,500
Transfer to staff	(22,170)
Write down of investment in Employee Benefit Trust	(40,183)
At 30 April 2008	250,147

An employee benefit trust was set up by Synoptics Limited during the year ended 30 April 2004 to promote wider share ownership among employees. The trust purchased 111,111 ordinary shares of £1 each of Synoptics Limited for £312,500 for the purposes of share based remuneration. During the year 22,170 shares were transferred out of the trust following the exercise of staff share options. The exercise price received was £22,170 leaving a total of £40,183 to be written off to equity.

As at 30 April 2008 the trust holds 711,528 shares in Scientific Digital Imaging plc further to the Group reorganisation.

23. OPERATING LEASE COMMITMENTS

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

	2008 Land and buildings £	*2008* Other £	*2007* Land and buildings £	*2007* Other £
In one year or less	80,419	3,435	80,100	–
Between one and five years	380,044	5,152	242,500	–
In five years or more	20,208	–	68,708	–
	480,671	8,587	391,308	–

Lease payments recognised as an expense during the year amounted to £83,854 (2007: £78,554).

The rental contract for the office building rented since 1996 at Beacon House, Nuffield Road, Cambridge has a lease which expires in September 2014. The rental contract for the office building rented since January 2003 at Frederick, Maryland has a lease which expired in May 2008. The lease has been renewed from June 2008 until May 2013 and includes a 3% per year increase clause for the duration of the lease.

24. RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

The Group's related parties comprise its Board of Directors. 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, invoice discounting 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.

At 30 April 2008, the amount of borrowings at a fixed rate was £nil (2007: £185,866) and at floating rates (linked to Royal Bank of Scotland Base Rate) was £nil (2007: £25,566).

Currency Risk

A significant proportion of the Group's assets are denoted in dollars. An adverse movement in exchange rate could lead to a devaluation of these assets. As at 30 April 2008 an adverse movement in the dollar of 5% would result in a reduction in the Group's assets of £22,196 (2007:£26,203).

The carrying amount of the Group's dollar denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities		*Assets*	
	2008	*2007*	*2008*	*2007*
US Dollars	83,867	47,341	549,991	597,599

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 receivables recognised at the balance sheet date. Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

The principal credit risk 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.

Liquidity Risk

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

As at 30 April 2008, 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 2008				
Trade and other payables	953,201	–	–	–
Borrowings	15,065	14,328	32,719	–

	Current		*Non-current*	
	Within 6 months	*Between 6 and 12 months*	*Between 1 and 5 years*	*Later than 5 years*
	£	£	£	£
As at 30 April 2007				
Trade and other payables	676,715	–	–	–
Borrowings	45,794	188,315	11,483	–

26. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY 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 2008* £	*Non-financial assets 2008* £	*Financial liabilities 2008* £	*Non-financial liabilities 2008* £	*Total balance sheet heading 2008* £
Cash at bank	372,709	–	–	–	372,709
Trade receivables	1,113,959	–	–	–	1,113,959
Other receivables	91,210	–	–	–	91,210
VAT and taxation	–	19,388	–	(46,897)	(27,509)
Trade payables	–	–	(569,219)	–	(569,219)
Finance lease liability – current	–	–	(29,393)	–	(29,393)
Finance lease liability – non-current	–	–	(32,719)	–	(32,719)
Accruals	–	–	(337,951)	–	(337,951)
Total	1,577,878	19,388	(969,282)	(46,897)	581,087

Balance sheet headings	*Loans and other receivables 2007* £	*Non-financial assets 2007* £	*Financial liabilities 2007* £	*Non-financial liabilities 2007* £	*Total balance sheet heading 2007* £
Cash at bank	275,761	–	–	–	275,761
Trade receivables	854,381	–	–	–	854,381
Other receivables	135,247	–	–	–	135,247
VAT and taxation	–	18,791	–	(41,682)	(22,891)
Bank loan and other borrowings	–	–	(40,528)	–	(40,528)
Loan stock	–	–	(170,904)	–	(170,904)
Trade payables	–	–	(452,190)	–	(452,190)
Finance lease liability – current	–	–	(22,677)	–	(22,677)
Finance lease liability – non-current	–	–	(11,483)	–	(11,483)
Accruals	–	–	(183,131)	–	(183,131)
Total	1,265,389	18,791	(880,913)	(41,682)	361,585

The fair values of the financial assets and liabilities at 30 April 2008 and 30 April 2007 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

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 structure ratio.

The Group sets the amount of capital in proportion to its overall financing structure and manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

	2008	*2007*
	£	*£*
Capital		
Total equity	1,402,806	1,117,540
Less cash and cash equivalents	(372,709)	(250,195)
	1,030,097	867,345
Overall financing		
Total equity	1,402,806	1,117,540
Plus borrowings	62,112	245,592
	1,464,918	1,363,132
Capital-to-overall financing structure ratio	70.3%	63.6%

28. AUDITORS

The consolidated financial statements of Scientific Digital Imaging plc as prepared under UK General Accepted Accounting Principles in respect of the years ending 30 April 2008 and 30 April 2007 were audited by Grant Thornton UK LLP. The statutory financial statements carried an unqualified audit report. Grant Thornton's address is Byron House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ.

PART III — (B)

UK GAAP HISTORICAL FINANCIAL INFORMATION

ACCOUNTANTS' REPORT ON SCIENTIFIC DIGITAL IMAGING PLC

LITTLEJOHN

The following is the text of a report received from Littlejohn, reporting accountants:

The Directors
Scientific Digital Imaging plc
Beacon House
Nuffield Road
Cambridge
CB4 1TF

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

The Directors
Dowgate Capital Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
West Sussex
RH10 1LQ

2 December 2008

Dear Sirs

SCIENTIFIC DIGITAL IMAGING PLC ("the Company")

Introduction

We report on the financial information set out in this Part III(B) "UK GAAP Historical Financial Information" relating to the Company together with its subsidiary undertakings (the "Group"). This information has been prepared for inclusion in the AIM admission document dated 2 December 2008 (the "Admission Document") relating to the proposed admission to AIM of the Company and on the basis of the accounting policies set out in note 1. This report is given for the purpose of complying with Schedule Two of the AIM Rules for Companies and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Group consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in this Part III(B) "UK GAAP Historical Financial Information" gives, for the purposes of the AIM Admission Document dated 2 December 2008, a true and fair view of the state of affairs of the Group as at 30 April 2008, 30 April 2007 and 30 April 2006, and of its profits and losses, balance sheet, cash flows and statement of total recognised gains and losses for the periods then ended in accordance with the basis of preparation and in accordance with UK GAAP as described in note 1 of this Part III(B).

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

Littlejohn
Chartered Accountants

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	*2008* £	*2008* £	*2007* £	*2007* £	*2006* £	*2006* £
Turnover	2		5,728,057		5,648,431		4,792,298
Changes in stocks of finished goods and work in progress		(6,283)		(6,645)		(61,060)	
Other operating income	2	6,112		2,609		9,186	
Raw materials and consumables		(2,440,541)		(2,618,762)		(2,217,320)	
Staff costs	3	(1,831,966)		(1,613,734)		(1,571,047)	
Depreciation and other amounts written off tangible fixed assets	6	(150,313)		(132,954)		(147,782)	
Other operating charges		(1,171,494)		(915,534)		(955,254)	
			(5,594,485)		(5,285,020)		(4,943,277)
Operating profit/(loss)	2		133,572		363,411		(150,979)
Interest payable and similar charges	4		(38,402)		(48,470)		(65,439)
Profit/(loss) on ordinary activities before taxation			95,170		314,941		(216,418)
Tax on profit/(loss) on ordinary activities	5		(25,868)		52,281		(5,000)
Profit/(loss) for the financial year	19		69,302		367,222		(221,418)
Earnings per share							
Basic earnings/(loss) per share	19		0.43		2.30		(1.38)
Diluted earnings/(loss) per share	19		0.39		2.09		(1.38)

All activities of the Group are classed as continuing.

CONSOLIDATED BALANCE SHEET

	Note	*2008* £	*2007* £	*2006* £
Fixed assets				
Tangible assets	6	230,892	211,958	282,826
Current assets				
Stocks	7	372,797	339,153	390,229
Debtors	8	1,262,235	1,071,099	888,927
Cash at bank and in hand		372,709	275,761	130,193
		2,007,741	1,686,013	1,409,349
Creditors: amounts falling due within one year	9	(953,825)	(884,590)	(861,561)
Net current assets		1,053,916	801,423	547,788
Total assets less current liabilities		1,284,808	1,013,381	830,614
Creditors: amounts falling due after more than one year	10	(32,719)	(11,483)	(194,809)
Provisions for liabilities	12	(10,000)	(10,000)	(10,000)
Net assets		1,242,089	991,898	625,805
Capital and reserves				
Called-up share capital	14	163,306	159,978	159,978
Merger reserve account	17	2,606,016	2,500,494	2,500,494
Own shares held by Employee Benefit Trust	16	(250,147)	(312,500)	(312,500)
Other reserves	17	12,634	21,016	21,016
Profit and loss account	17	(1,289,720)	(1,377,090)	(1,743,183)
Shareholders' funds	18	1,242,089	991,898	625,805

CONSOLIDATED CASH FLOW STATEMENT

	Note	*2008* £	*2007* £	*2006* £
Net cash inflow from operating activities	20	292,459	392,924	148,358
Returns on investments and servicing of finance	22	(24,506)	(35,028)	(52,416)
Taxation		59,601	–	–
Capital expenditure and financial investment	22	(98,027)	(45,242)	(68,612)
Financing	22	(107,013)	(42,750)	(60,078)
Increase/(decrease) in cash	21	122,514	269,904	(32,748)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008 £	*2007* £	*2006* £
Profit/(loss) for the financial year	69,302	367,222	(221,418)
Foreign exchange loss on consolidation of subsidiaries	(2,948)	(1,129)	(13,095)
Total recognised gains and losses for the year	66,354	366,093	(234,513)

1. BASIS OF PREPARATION

The financial information has been prepared under the historical cost convention and in accordance with United Kingdom accounting standards. The financial information in this Part III(B) does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

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

Background Information

Scientific Digital Imaging plc was formed on the 28 September 2007 and subsequently acquired 100% of Synoptics Limited by means of a share for share exchange. Since the relative rights of shareholders were preserved by this transaction, the Directors have considered it appropriate to use merger accounting to present the consolidated financial information for the Group as if the new legal structure had always existed. Accordingly the report includes the result of the Synoptics Group for the whole of the 12 month periods to 30 April 2007 and 30 April 2006 as previously reported under Synoptics Limited.

Details of the Group 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
The following companies are all wholly owned subsidiaries of 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

Basis of Consolidation

The consolidated financial information incorporates the financial statements of the Company and all subsidiary undertakings. The financial statements of all group companies are adjusted where necessary to ensure the use of consistent accounting policies.

During the 2008 accounting year, Scientific Digital Imaging plc acquired Synoptics Limited Group via a share for share exchange. For the purpose of preparing the consolidated accounts these transactions are considered to be a group reconstruction. Accordingly merger accounting principles have been applied.

The financial information has been prepared on the assumption that the Scientific Digital Imaging Group in its form following the group reconstruction has always been in existence and that there has been no change in the group structure in respect of the specific reconstruction. The consolidated profit and loss account therefore includes the results of these companies for the whole of the period with comparative figures for the year ended 30 April 2006, being those for these companies as if the Group existed during that year. The comparative balance sheet at 30 April 2006 is as previously presented as the audited position of Synoptics Limited Group, except that the share capital and share premium account have been restated to reflect the position assuming the share for share exchange had occurred at 1 May 2005.

Revenue Recognition

Turnover is the total amount receivable for goods supplied and services provided, excluding VAT and trade discounts.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, net of depreciation.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Motor vehicles	33.33%
Computer equipment	33.33%
Tools and other equipment	33.33%
Furniture, fixtures and fittings	20.00%
Leasehold improvements	20.00%

Leased Assets

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

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account over the lease term.

Investments

Scientific Digital Imaging plc qualifies for merger relief under the Companies Act 1985 S131 and has recorded the investment in Synoptics Limited at the nominal value of the shares issued.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign Currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Profit and loss accounts of such undertakings are consolidated at the average rate of exchange. Gains and losses on these transactions are taken to reserves.

Contributions to Pension Schemes

Defined Contribution Scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Research and Development

Research and development is charged against profits in the period in which it is incurred.

Provisions

The Group provides for warranty costs arising from past events which result in a present obligation. Warranty costs are assessed through analysis of products sold to arrive at a best estimate of the likely costs to the Group.

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. Consistent with the treatment outlined in UITF 38 "Accounting for ESOP Trusts", the material assets, liabilities, income and costs of the ESOP are consolidated within the financial information. 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.

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 instruments

Compound 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.

2. TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The geographical analysis by origin for turnover, net profit and net assets is set out below:

	UK			*USA*			*TOTAL*		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
	£	£	£	£	£	£	£	£	£
Turnover by origin	4,363,515	4,085,895	3,364,338	1,364,542	1,562,536	1,427,960	5,728,057	5,648,431	4,792,298
Net profit/(loss)	75,023	295,146	(293,604)	(5,721)	72,076	72,186	69,302	367,222	(221,418)
Net assets	2,487,921	1,800,608	1,516,460	(1,245,832)	(808,710)	(890,655)	1,242,089	991,898	625,805

The geographical analysis by destination of turnover is set out below:

	2008	*2007*	*2006*
	£	£	£
United Kingdom	1,443,367	914,546	658,463
Europe	1,660,062	1,566,211	1,118,149
America	1,364,087	1,568,964	1,503,665
Asia	1,011,734	1,241,461	1,258,954
Rest of World	248,807	357,249	253,067
	5,728,057	5,648,431	4,792,298

The profit/(loss) on ordinary activities before taxation is stated after:

	2008	*2007*	*2006*
	£	£	£
Depreciation charge for year:			
Tangible owned fixed assets	105,894	101,053	108,190
Tangible fixed assets held under finance leases and hire purchase contracts	44,419	31,901	39,592
Research and development costs	495,737	453,000	468,528
Foreign exchange losses/(gains)	1,251	56,756	(47,428)
Auditor's remuneration group:			
Audit of group accounts	23,750	21,000	23,000
Fees paid to the auditor and its associates in respect of other services	2,500	6,500	6,250
Corporate finance costs	130,769	25,000	–
Employee Benefit Costs	12,634	–	–
Employee Benefit Trust write down	40,183	–	–
Hire of plant machinery – operating leases	–	–	3,184
Rental of land and buildings	78,554	78,554	87,454

Other Operating Income

	2008	*2007*	*2006*
	£	£	£
Profit on sale of fixed assets	6,112	1,844	1,546
Other income	–	765	7,640
	6,112	2,609	9,186

3. DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2008 £	*2007* £	*2006* £
Wages and salaries	1,632,478	1,435,966	1,407,308
Social security costs	146,342	131,180	115,193
Other pension costs	53,146	46,588	48,546
	1,831,966	1,613,734	1,571,047

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

	2008 Number	*2007 Number*	*2006 Number*
Administration	6	5	6
Production	14	12	12
Product development	7	7	9
Sales and marketing	9	11	13
	36	35	40

Remuneration in respect of Directors was as follows:

	2008 £	*2007* £	*2006* £
Emoluments (excluding pension contributions)	113,257	111,951	275,872
Amounts payable to third parties in respect of Directors' services	57,121	55,858	50,649
Pension contributions paid into a defined contribution scheme	4,540	4,348	11,159
	174,918	172,157	337,680

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £113,257, (2007: £111,951, 2006: £96,609). Company pension contributions of £4,540 (2007: £4,348, 2006: £4,223) were made to a money purchase scheme on his behalf.

	2008 Number	*2007 Number*	*2006 Number*
Number of directors who are members of a money purchase pension scheme	1	1	3

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	*2007* £	*2006* £
Bank overdraft, invoice discounting and loan	10,144	17,553	29,200
Finance leases and hire purchase contracts	7,527	4,539	10,180
Loan stock	6,835	12,936	13,036
Other debt finance costs	13,896	13,442	13,023
	38,402	48,470	65,439

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

The tax charge represents:

	2008 £	*2007* £	*2006* £
Current tax			
UK corporation tax due for the year at 20% (2007: 19%, 2006: 19%)	866	288	–
Refund due in respect of prior years – R&D tax credits	–	(59,889)	–
Total current tax (note 6(b))	866	(59,601)	–
Movement in deferred tax asset (note 15)	25,002	7,320	5,000
Tax on profit/(loss) on ordinary activities	25,868	(52,281)	5,000

(b) Factors affecting current tax charge

The current UK tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2007: 30%, 2006: 30%). The differences are explained as follows:

	2008 £	*2007* £	*2006* £
Profit/(loss) on ordinary activities before tax	95,170	314,941	(216,418)
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2007: 30%, 2006: 30%)	28,551	94,482	(64,925)
Effects of:			
Results on overseas earnings not recognised	–	(13,755)	(13,718)
Expenses not deductible for tax purposes	18,920	5,168	95
Difference between capital allowances for the period and depreciation	(663)	217	1,507
Additional deduction for R&D Expenditure	(14,584)	–	–
Other timing differences	734	(1,118)	(331)
Transferred to tax losses brought forward	(22,662)	(50,325)	53,556
Adjustments to tax charge in respect of prior years	–	(59,889)	–
Marginal relief	(9,430)	(34,381)	23,816
Current tax credit for the year	866	(59,601)	–

Synoptics Limited has corporation tax losses of approximately £197,300 (2007: £315,868, 2006: £724,850) to be carried forward to reduce the corporation tax payable on profits arising from the same trades in future years, subject to approval by HM Revenue & Customs.

6. TANGIBLE FIXED ASSETS

	Motor vehicles	*Computer equipment*	*Tools and other equipment*	*Furniture fixtures and fittings*	*Leasehold improve-ments*	*Total*
	£	£	£	£	£	£
Cost						
At 1 May 2007	125,043	167,387	565,421	115,630	55,746	1,029,227
Additions	36,344	38,938	156,085	760	–	232,127
Disposals	(35,366)	–	(108,886)	–	–	(144,252)
At 30 April 2008	126,021	206,325	612,620	116,390	55,746	1,117,102
Depreciation						
At 1 May 2007	82,767	160,641	411,202	111,028	51,631	817,269
Charge for year	35,977	12,617	97,797	2,137	1,785	150,313
Disposals	(35,366)	–	(46,006)	–	–	(81,372)
At 30 April 2008	83,378	173,258	462,993	113,165	53,416	886,210
Net book value						
At 30 April 2008	42,643	33,067	149,627	3,225	2,330	230,892
At 30 April 2007	42,276	6,746	154,219	4,602	4,115	211,958
Cost						
At 1 May 2006	120,528	161,578	605,289	116,244	55,746	1,059,385
Additions	19,416	5,883	100,125	1,158	–	126,582
Disposals	(14,901)	(74)	(139,993)	(1,772)	–	(156,740)
At 30 April 2007	125,043	167,387	565,421	115,630	55,746	1,029,227
Depreciation						
At 1 May 2006	70,986	152,520	392,926	110,679	49,448	776,559
Charge for year	26,682	8,195	93,773	2,121	2,183	132,954
Disposals	(14,901)	(74)	(75,497)	(1,772)	–	(92,244)
At 30 April 2007	82,767	160,641	411,202	111,028	51,631	817,269
Net book value						
At 30 April 2007	42,276	6,746	154,219	4,602	4,115	211,958
At 30 April 2006	49,542	9,058	212,363	5,565	6,298	282,826

The net book value of tangible fixed assets includes an amount of £52,241 (2007 £42,164, 2006: £54,799) in respect of assets held under finance leases and hire purchase contracts. Of this amount £25,073 (2007: £42,164, 2006: £49,465) relates to motor vehicles and £nil (2007: £nil, 2006: £5,334) relates to furniture, fixtures and fittings.

Depreciation on these assets is £35,368 (2007: £26,568, 2006: £34,259) and £9,056 (2007:£5,333 2006: £5,333) respectively.

7. STOCKS

	2008 £	2007 £	2006 £
Raw materials and consumables	259,893	219,966	264,397
Work in progress	53,434	82,290	39,982
Finished goods	59,470	36,897	85,850
	372,797	339,153	390,229

8. DEBTORS

	2008 £	2007 £	2006 £
Trade debtors	1,113,959	854,381	717,352
Other debtors	42,806	94,473	46,225
Deferred tax asset	37,678	62,680	70,000
Prepayments and accrued income	67,792	59,565	55,350
	1,262,235	1,071,099	888,927

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £	2006 £
Bank loans and other borrowings	–	40,528	166,222
Loan stock	–	170,904	–
Obligations under finance leases and hire purchase contracts	29,393	22,677	23,203
Trade creditors	569,219	452,190	417,675
Social security and other taxes	46,031	41,394	38,343
Corporation tax creditor	866	288	–
Other creditors	216,020	87,528	130,865
Accruals and deferred income	92,296	69,081	85,253
	953,825	884,590	861,561

The overdraft and invoice discounting facility are secured by a fixed and floating charge over the assets of the Group. The overdraft was fully repaid on the 19 May 2006.

Synoptics Limited has a bank loan under the Small Firms Loan Guarantee scheme. This attracted interest at the rate of 1.5% above base rate. The loan was repaid by March 2008 and was secured on the assets of Synoptics Limited.

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

The loan stock of £184,800 in 2007 is shown net of costs and interest under FRS 25 of £13,896 which are being amortised over the life of the stock and has been adjusted by £21,016 in accordance with the accounting treatment required under FRS 25. Further details of this adjustment can be found in notes 10 and 17. The loan stock is unsecured, bears interest at 7% per annum and can be converted at any time prior to 30 April 2008 at a rate of 1 Ordinary Share for every £3 nominal amount of loan stock.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008	*2007*	*2006*
	£	*£*	*£*
Bank loan	–	–	16,324
Loan stock	–	–	157,462
Obligations under finance leases and hire purchase contracts	32,719	11,483	21,023
	32,719	11,483	194,809

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

The loan stock of £184,800 in 2006 is shown net of costs and interest under FRS 25 of £27,338 which are being amortised over the life of the stock and has been adjusted by £21,016 in accordance with the accounting treatment required under FRS 25. Further details of this adjustment can be found in notes 9 and 17. The loan stock is unsecured, bears interest at 7% per annum and can be converted at any time prior to 30 April 2008 at a rate of 1 Ordinary Share for every £3 nominal amount of loan stock.

11. BORROWINGS

	2008	*2007*	*2006*
	£	*£*	*£*
Within one year			
Bank and other borrowings	–	211,432	166,222
Finance leases	29,393	22,677	23,203
After one and within two years			
Bank and other borrowing	–	–	16,324
Finance leases	27,229	8,263	17,928
After two and within five years			
Bank and other borrowings	–	–	157,462
Finance leases	5,490	3,220	3,095
	62,112	245,592	384,234

12. PROVISIONS FOR LIABILITIES

	Warranty provision
	£
As at 30 April 2008, 30 April 2007 and 30 April 2006	10,000

13. DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below:

	2008	*2007*	*2006*
	£	*£*	*£*
Tax losses carried forward	37,678	62,680	70,000

14. SHARE CAPITAL

	2008 £	2007 £	2006 £
Authorised			
100,000,000 Ordinary Shares of 1p each	1,000,000	1,000,000	1,000,000
Allotted, called up and fully paid			
16,330,560 (2007: 15,997,760) Ordinary Shares of 1p each	163,306	159,978	159,978

The whole of the share capital was issued in connection with the acquisition of Synoptics Limited.

15. SHARE OPTIONS AND WARRANTS

Share options

An employee share option scheme (approved scheme) has 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. Both schemes have been approved by Shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs as required by the Finance Act 1984 and the Finance Act 1980 respectively.

Following the acquisition of Synoptics Limited by Scientific Digital Imaging plc in December 2007 all outstanding share options over shares in Synoptics Limited were replaced with share options over shares in Scientific Digital Imaging. For each £1 option held in Synoptics, 8 replacement options in Scientific Digital Imaging plc were issued.

A summary of options outstanding currently is as follows:

	2008		*2007*		*2006*	
	Number of share options	*Exercise price of options*	*Number of share options*	*Exercise price of options*	*Number of share options*	*Exercise price of options*
Outstanding at beginning of period	190,240	£1.00	202,600	£1.00	225,720	£1.00
Granted during the year	76,000	£1.00	–	–	–	–
Exercised during the year	(22,170)	£1.00	–	–	–	–
Expired during the year	(42,600)	£1.00	12,900	£1.00	23,120	£1.00
Renounced during the year	(201,470)	£1.00	–	–	–	–
Exchanges for SDI Share options	1,611,760	£0.125	–	–	–	–
Outstanding at the end of the year	1,611,760	£0.125	190,240	£1.00	202,600	£1.00
Exercisable at the end of the year	1,003,760	£0.125	190,240	£1.00	202,600	£1.00

The fair value of the options has been based on an expected volatility of 30%, risk free interest rate of 4.2% and an expected option life of 10 years. The Company uses the Black-Scholes model to value options. Based on a share price of £0.176 at the date of the grant the valuation model has calculated a fair value of £0.11 per option.

Warrants

During 2007 Synoptics Limited granted warrants over 10,000 Ordinary Shares of 1p each. These warrants were exercised in 2007.

16. OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

	Investment in own shares £
At 1 May 2006 and at 30 April 2007	312,500
Transfer to employees	(22,170)
Write down of investment in Employee Benefit Trust	(40,183)
At 30 April 2008	250,147

An employee benefit trust was set up during the year ended 30 April 2004 to promote wider share ownership among employees. The trust purchased 111,111 ordinary shares of £1 each for £312,500 for the purpose of share based remuneration.

For each £1 share held in Synoptics Limited, 8 replacement shares in Scientific Digital Imaging plc were issued.

17. RESERVES

	Other reserve £	*Merger reserve account* £	*Profit and loss account* £	*Total* £
At 1 May 2007	21,016	2,500,494	(1,377,090)	1,144,420
Profit for the year	–	–	69,302	69,302
Conversion of loan stock	(21,016)	92,272	21,016	92,272
Conversion of warrant	–	13,250	–	13,250
Share based payments	12,634	–	–	12,634
Foreign exchange loss on consolidation of subsidiary	–	–	(2,948)	(2,948)
At 30 April 2008	12,634	2,606,016	(1,289,720)	1,328,930
At 1 May 2006	*21,016	2,500,494	(1,743,183)	778,327
Profit for the year	–	–	367,222	367,222
Foreign exchange loss on consolidation of subsidiary	–	–	(1,129)	(1,129)
At 30 April 2007	21,016	2,500,494	(1,377,090)	1,144,420

*Equity element of debt

Certain rights that are attached to Synoptics Limited's loan stock result in it having characteristics of both equity and liabilities. Therefore the loan stock would be considered to be a compound instrument as defined by FRS 25 Financial Instruments: Presentation and Disclosure.

The value of the liability component has been calculated based on the present value of the future cash flows in respect of payments that the Company is obliged to make to holders of its loan stock. The value of £21,016 included within equity under the heading 'Other reserve' is the residual amount.

At the date of acquisition of Synoptics Limited by Scientific Digital Imaging plc, £90,000 of the loan stock was repaid and £94,800 was converted into equity.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	*2007* £	*2006* £
Profit/(loss) for the financial year	69,302	367,222	(221,418)
Conversion of loan stock	94,800	–	–
Conversion warrants	14,050	–	–
Share based payments	12,634	–	–
Employee Benefit Trust adjustment	40,183	–	–
Share options exercised	22,170	–	–
Transfer of equity element of loan stock	–	–	21,016
Foreign exchange reserve	(2,948)	(1,129)	(13,095)
Net increase/(decrease) to shareholders' funds	250,191	366,093	(213,497)
Opening shareholders' funds	991,898	625,805	846,531
Interest on liability element of loan stock	–	–	(7,229)
Closing Shareholders' funds	1,242,089	991,898	625,805

19. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to the Shareholders of Scientific Digital Imaging plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

	Profits/(loss) attributable to shareholders	*Weighted average number of shares*	*Basic earnings/ (loss) per share amount in pence*
Year ended 30 April 2008	69,302	16,136,427	0.43
Year ended 30 April 2007	367,222	15,997,760	2.30
Year ended 30 April 2006	(221,418)	15,997,760	(1.38)

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. The weighted average number of shares and derivative options for 2007 assumes the parent entity was in existence throughout.

	Dilutive options	*Diluted earnings/ (loss) per share amount in pence*
Year ended 30 April 2008	1,587,255	0.39
Year ended 30 April 2007	1,541,308	2.09
Year ended 30 April 2006	–	(1.38)

The reconciliation of average number of Ordinary Shares used for basic and diluted earnings is as below:

	2008	*2007*	*2006*
Weighted average number of Ordinary Shares used for basic earnings per share	16,136,427	15,997,760	15,997,760
Weighted average number of Ordinary Shares under option	1,587,255	1,541,308	–
Weighted average number of ordinary shares used for diluted earnings per share	17,723,682	17,539,068	15,997,760

20. RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	*2007*	*2006*
	£	*£*	*£*
Operating profit/(loss)	133,572	363,411	(150,979)
Depreciation	150,313	132,954	147,782
Profit on sale of tangible fixed assets	(4,997)	(1,844)	(1,546)
(Increase)/decrease in stocks	(33,644)	51,076	101,887
(Increase)/decrease in debtors	(276,027)	(129,603)	153,425
Increase/(decrease) in creditors	273,373	(21,941)	(79,116)
Decrease in provisions	–	–	(10,000)
Employee share based payments	12,634	–	–
Employee Benefit Trust adjustment	40,183	–	–
Foreign exchange loss on consolidation of subsidiaries	(2,948)	(1,129)	(13,095)
Net cash inflow from operating activities	292,459	392,924	148,358

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008	*2007*	*2006*
	£	*£*	*£*
Increase/(decrease) in cash in the year	122,514	269,904	(32,748)
Cash outflow from repayments of leasing financing	38,271	25,066	43,754
Cash outflow from repayment of short term loans	104,962	17,684	16,324
Change in net debt resulting from cash flows	265,747	312,654	27,330
Inception of finance leases	(66,223)	(15,000)	(13,646)
Other non-cash items	80,904	(13,442)	763
Movement in cash in the year	280,428	284,212	14,447
Opening cash/(net debt)	30,169	(254,043)	(268,490)
Closing cash/(net debt)	310,597	30,169	(254,043)

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2008 £	*2007* £	*2006* £
Returns on investment and servicing of finance			
Interest paid	(10,144)	(17,553)	(29,200)
Finance interest paid	(7,527)	(4,539)	(10,180)
Loan stock interest	(6,835)	(12,936)	(13,036)
Net cash outflow from investment and servicing of finance	(24,506)	(35,028)	(52,416)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(165,904)	(111,582)	(168,545)
Sale of tangible fixed assets	67,877	66,340	99,933
Net cash outflow from capital expenditure and financial investment	(98,027)	(45,242)	(68,612)
Financing			
Capital element of finance leases	(38,271)	(25,066)	(43,754)
Issue of shares on exercise warrants and options	36,220	–	–
Repayment of short term loans	(104,962)	(17,684)	(16,324)
Net cash outflow from financing	(107,013)	(42,750)	(60,078)

23. ANALYSIS OF CASH AND NET DEBT

	At 1 May 2006 £	*Cash flows* £	*Other non-cash changes* £	*At 30 April 2007* £	*Cash flows* £	*Other non-cash charges* £	*At 30 April 2008* £
Cash at bank and in hand	130,193	145,568	–	275,761	96,948	–	372,709
Overdrafts	(149,900)	124,334	–	(25,566)	25,566	–	–
	(19,707)	269,902	–	250,195	122,514	–	372,709
Debt due within one year	(16,322)	(156,102)	(13,442)	(185,866)	104,962	80,904	–
Debt due after one year	(173,786)	173,786	–	–	–	–	–
Finance lease and hire purchase contracts	(44,226)	25,066	(15,000)	(34,160)	38,271	(66,223)	(62,112)
Total	(254,041)	312,652	(28,442)	30,169	265,747	14,681	310,597

24. PENSIONS

The Group companies operate defined contribution pension schemes for the benefit of their employees. The assets of the schemes are administered by trustees in a fund independent from those of the Group.

25. OPERATING LEASE COMMITMENTS

Operating lease payments amount to £83,854 (2007: £78,554, 2006: £89,004). The leases to which these amounts relate expire as follows:

	2008		*2007*		*2006*	
	Land and buildings £	*Other* £	*Land and buildings* £	*Other* £	*Land and buildings* £	*Other* £
In one year or less	–	–	–	–	–	1,550
Between one and five years	31,919	3,435	30,054	–	38,944	–
In five years or more	48,500	–	48,500	–	48,500	–
	80,419	3,435	78,554	–	87,444	1,550

26. AUDITORS

The consolidated financial statements of Scientific Digital Imaging plc in respect of the year ending 30 April 2008 and of Synoptics Limited in respect of the years ending 30 April 2007 and 30 April 2006 were audited by Grant Thornton UK LLP. The statutory financial statements carried an unqualified audit report. Grant Thornton's address is Byron House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ.

PART III — (C)

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited pro forma consolidated statement of net assets of SDI and Artemis and Perseu (together "the Enlarged Group") which has been prepared for illustrative purposes only to show the effect of the acquisitions of Artemis and Perseu as if they had occurred on 30 April 2008. The pro forma statement of net assets has been prepared for illustrative purposes only, and because of its nature, it may not give a true reflection of the Enlarged Group's financial position or results.

	SDI net assets as at 30 April 2008 (Note 1)	*Artemis assets as at 31 August 2008 (Note 2)*	*Perseu assets as at 31 August 2008 (Note 3)*	*Issue of share capital and acquisition of Artemis and Perseu (Note 5 and 6)*	*Admission costs and issue of loan notes (Note 7)*	*Unaudited pro forma adjusted net assets of the Enlarged Group on admission to AIM*
	£	£	£	£	£	£
Assets						
Non-current assets						
Intangible assets	225,919	17,538	–	263,795	–	507,252
Property, plant and equipment	230,892	6,304	56,386	–	–	293,582
Deferred tax asset	49,983	–	–	–	–	49,983
	506,794	23,842	56,386	263,795	–	850,817
Current assets						
Inventories	372,797	–	131,054	(29,545)	–	474,306
Trade and other receivables	1,224,557	38,278	40,851	–	–	1,303,686
Cash and cash equivalents	372,709	6,071	1,509	(70,000)	39,000	349,289
	1,970,063	44,349	173,414	(99,545)	39,000	2,127,281
Total assets	2,476,857	68,191	229,800	164,250	39,000	2,978,098
Liabilities						
Non-current liabilities						
Borrowings	32,719	7,139	68,326	–	–	108,184
Deferred tax liability	47,872	–	–	–	–	47,872
	80,591	7,139	68,326	–	–	156,056
Current liabilities						
Trade and other payables	953,201	37,167	107,811	–	–	1,098,179
Provisions for warranty	10,000	–	–	–	–	10,000
Borrowings	29,393	–	–	–	–	29,393
Loan notes	–	–	–	–	379,000	379,000
Current tax payable	866	–	–	–	–	866
	993,460	37,167	107,811	–	–	1,517,438
Total liabilities	1,074,051	44,306	176,137	–	379,000	1,673,494
Total assets less total liabilities	1,402,806	23,885	53,663	164,250	(340,000)	1,304,604

Notes:

The pro forma statement of net assets has been prepared on the following basis:

1. The net assets of SDI as at 30 April 2008 have been extracted without adjustment from Special Purpose IFRS Historical Financial Information included in Part III(A) of this document.
2. The net assets of Artemis as at 31 August 2008 have been extracted without adjustment from the unaudited management accounts of this company.
3. The net assets of Perseu as at 31 August 2008 have been extracted without adjustment from the unaudited management accounts of this company.
4. The net assets of Perseu have been converted into Pounds Sterling at 1.2418 Euro to One Pound Sterling, being the mid market exchange rate at the close of business on 31 August 2008.
5. An adjustment has been made to reflect the proposed issue of 2,666,000 Ordinary Shares of SDI valued at £319,920 to be issued to the shareholders of Artemis and Perseu in consideration for 100 per cent. of the equity of Artemis and Perseu. An adjustment has been made to reflect the estimated goodwill arising upon consolidation calculated on the issue of 2,666,000 new Ordinary Shares. This is an approximation only and may differ from the goodwill in the consolidated financial statements of the Enlarged Group.
6. Goodwill includes an adjustment of £29,545 (€35,049 translated at a rate of €1.1863 : £1 being the closing rate on 26 November 2008) in respect of a fair value adjustment for inventory.
7. An adjustment has been made to reflect the payment of admission costs estimated at £340,000 and the issue of loan notes totalling £379,000 undertaken in order to finance the admission costs.
8. No adjustments have been made to reflect the trading or other transactions of SDI and its subsidiaries at that date since 30 April 2008 and Artemis and Perseu since 31 August 2008.
9. The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

PART IV

ADDITIONAL INFORMATION

Responsibility

The Company, and the Directors, whose names appear on page 4 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they take responsibility is in accordance with the facts and does not omit anything which is likely to affect the import of such information.

1. The Company

1.1 The Company was incorporated on 28 September 2007 in England and Wales under the Act with registration number 06385396 under the name Scientific Digital Imaging plc.

1.2 The liability of the members of the Company is limited.

1.3 The Company's accounting reference date is 30 April.

1.4 The Company and its activities and operations are principally regulated by the Act, the 2006 Act and the regulations made thereunder.

1.5 The registered office of the Company and its principal place of business is Beacon House, Nuffield Road, Cambridge CB4 1TF. The Company's telephone number is 01223 727144.

1.6 On 15 October 2008, the Registrar of Companies issued the Company with a certificate to commence business and to borrow pursuant to section 761 of the 2006 Act.

1.7 The Company's International Security Identification Number (ISIN) is GB00B3FBWW43.

2. Subsidiaries

2.1 The Company is the holding company of the Group. The Company currently has three wholly owned subsidiaries the details of which are set out below:

Name and Company Registration Number	*Registered Office*	*Authorised Share Capital*	*Issued Share Capital*	*Country of Incorporation*	*Principal activity*	*Percentage owned by the Company*
Synoptics Limited (company number 01874861)	Beacon House, Nuffield Road, Cambridge, CB4 1TF	£30,000 divided into 3,000,000 ordinary shares of £0.01 each	2,041,320 ordinary shares of £0.01 each	England and Wales	Development and Manufacturing	100%
Artemis CCD Limited (company number 05948849)	Beacon House, Nuffield Road, Cambridge, CB4 1TF	£1,000 divided into 1,000 ordinary shares of £1 each	2 ordinary shares of £1 each	England and Wales	Development	100%
Perseu Comercio De Equipamento Para Informatica E Astronomia SA (company number 505474700)	Rua Dr. Agostinho Neto, 1, 1st floor D, 2690-576 Santa Iria da Azóia, Portugal	Euros 115,000	1 equity share of Euros 115,000	Portugal	Manufacturing	100%

2.2 Synoptics in turn has three wholly owned subsidiaries details of which are set out below:

Name and Company Registration Number	*Registered Office*	*Authorised Share Capital*	*Issued Share Capital*	*Country of Incorporation*	*Principal activity*	*Percentage owned by Synoptics*
Synoptics Inc. (registration number 3264146)	Corporation Trust Center, 1209 Orange Street, City of Wilmington, DE 19801, US	$10 divided into 1,000 common shares of $0.01 each	1,000 common shares of $0.01 each	United States of America	Distribution and sales	100%
Myriad Solutions Limited (company number 02384355)	Beacon House, Nuffield Road, Cambridge, CB4 1TF	£40,000 divided into 40,000 ordinary shares of £1 each	39,817 ordinary shares of £1 each	England and Wales	Dormant	100%
Image Techniques of Cambridge Limited (company number 01395088)	Beacon House, Nuffield Road, Cambridge CB4 1TF	£1,000 divided into 1,000 ordinary shares of £1 each	100 ordinary shares of £1 each	England and Wales	Dormant	100%

3. Share Capital

3.1 As at the date of this document, the Company's authorised share capital is £10,000,000 divided into 1,000,000,000 Ordinary Shares of 1p each of which a total of 16,663,842 Ordinary Shares have been issued and fully paid or credited as fully paid.

3.2 The share capital history of the Company since incorporation to the date of this document is as follows:

3.2.1 On incorporation of the Company, 2 Ordinary Shares were issued to Ludgate Nominees Limited and Ludgate Secretarial Services Limited at nominal value as the subscribers to the Memorandum;

3.2.2 On 19 December 2007, 16,330,560 Ordinary Shares were issued credited as fully paid up pursuant to the Share for Share Exchange, further details of which are set out in paragraph 12.4 of this Part IV;

3.2.3 On 22 August 2008, 333,280 Ordinary Shares were issued following the exercise of options at an exercise price of 12.5p pursuant to the terms of the SDI Employee Share Option Scheme.

3.3 Pursuant to the terms of the Artemis Share Purchase Agreement, further details of which are set out in paragraph 12.5 of this Part IV, the Company is required to issue 1,333,000 Ordinary Shares in aggregate to the vendors of Artemis, 666,500 Ordinary Shares to be issued twelve months following completion of the acquisition of Artemis and 666,500 Ordinary Shares to be issued twenty four months following completion of the acquisition of Artemis.

3.4 Pursuant to the terms of the Perseu Share Purchase Agreement, further details of which are set out in paragraph 12.6 of this Part IV, the Company is required to issue 1,333,000 Ordinary Shares in aggregate to certain of the vendors of Perseu, 666,500 Ordinary Shares to be issued twelve months following completion of the acquisition of Perseu and 666,500 Ordinary Shares to be issued forty eight months following completion of the acquisition of Perseu.

3.5 Pursuant to the Share for Share Exchange, further details of which are set out in paragraph 12.4 of this Part IV, the Company exercised its rights under sections 974 to 991 (inclusive) of the 2006 Act to compulsorily acquire the remaining Synoptics' shares in respect of which the Offer (as defined in paragraph 12.4 of this Part IV) had not been accepted, on the same terms. Under section 981(6)(b) of the 2006 Act, the Company transferred 101,024 Ordinary Shares to Synoptics to be held on trust for and on behalf of a number of shareholders who were either non-assenting shareholders or shareholders who were unable to respond to the Offer. Some of these shareholders have since instructed Synoptics to transfer the Ordinary Shares into their own names, however Synoptics currently holds 21,712 Ordinary Shares in trust.

3.6 Pursuant to the Synoptics Employee Benefit Trust ("SEBT") established under a settlement deed dated 31 October 2003 and made between Synoptics and Sector Trust Company Limited, the SEBT holds 711,528 Ordinary Shares.

3.7 Pursuant to a resolution of the Company passed on 28 November 2008:

3.7.1 The Directors of the Company were generally and unconditionally authorised pursuant to section 80 of the Act in substitution for any existing authorities conferred upon the Directors pursuant to that section which are hereby revoked, to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal value of £100,000 to such persons at such times and on such terms as they think proper including but not limited to:

3.7.1.1 the allotment of relevant securities up to an aggregate nominal value of £13,330 pursuant to the terms of the Artemis Share Purchase Agreement; and

3.7.1.2 the allotment of relevant securities up to an aggregate nominal value of £13,330 pursuant to the terms of the Perseu Share Purchase Agreement,

the authorities conferred by this resolution to expire, unless previously revoked, varied or renewed at the conclusion of the Annual General Meeting of the Company in 2009 save that the Company may, prior to the expiry of such period, make any offer or agreement which requires or might require relevant securities to be allotted after the expiry of such period, and the Directors may allot relevant securities pursuant to such offer or agreement notwithstanding such expiry.

3.7.2 The Directors were empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) to section 94(3A) of the Act) of the Company for cash pursuant to the authority of the Directors under section 80 of the Act conferred by the resolution referred to in paragraph 3.7.1 above for the duration of such authority, as if the provisions of section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

3.7.2.1 the allotment of equity securities in connection with an issue or offer of equity securities by way of rights or otherwise open for acceptance for a period fixed by the Directors in favour of holders of equity securities and any other persons entitled to participate in such issue or offer in proportion (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date for such allotment (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer), subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or practical problems arising under the laws of any overseas territory or the requirements of any regulatory authority or body or any stock exchange in any territory; and

3.7.2.2 the allotment (other than pursuant to the power referred to in sub-paragraph 3.7.2.1 above) of equity securities up to an aggregate nominal value equal to an aggregate nominal amount of £50,000.

The Company may, prior to the expiry of such power make any offer or agreement which requires or might require securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuant of such offer or agreement notwithstanding such expiry.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority of the Directors under section 80 of the Act conferred by the resolution referred to in 3.7.2 above" were omitted.

3.7.3 The Company was generally authorised, conditional on the Company's Admission, to make market purchases (as defined by section 163(3) of the Act) of Ordinary Shares, provided that:

3.7.3.1 the maximum number of Ordinary Shares authorised to be purchased be limited to 2,499,576, being a number that approximates to 15 per cent. of the issued share capital of the Company at the date of the meeting;

3.7.3.2 the minimum price, exclusive of any expenses, that may be paid for the Ordinary Shares is £0.01 per Ordinary Share being the nominal value of each Ordinary Share;

3.7.3.3 the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to 120 per cent. of the average of the middle market quotations for an Ordinary Share derived from the Daily List of AIM for the ten business days immediately preceding the date on which such Ordinary Share is contracted to be purchased; and

3.7.3.4 the authority conferred by this resolution shall expire on the conclusion of the Annual General Meeting of the Company in 2009 but not so as to prejudice the completion of a purchase contracted before that date.

3.8 Save as set out in this document:

3.8.1 There are no shares in the Company not representing capital;

3.8.2 There are currently no outstanding convertible or exchangeable securities or securities with warrants issued by the Company;

3.8.3 No share or loan capital of the Company has been issued or is proposed to be issued;

3.8.4 No person has any preferential or subscription rights for any share capital of the Company; and

3.8.5 The Company does not hold any of its Ordinary Shares and none of its directly or indirectly owned subsidiaries hold any of the Ordinary Shares.

4. Options

4.1 There are currently 1,199,760 options outstanding over Ordinary Shares which have been granted to management and employees of SDI under the rules of the three share option schemes adopted by the Company, the SDI Employee Share Option Scheme, the SDI Group Share Option Scheme and the SDI EMI Share Option Scheme. The rules of these share options schemes are summarised in paragraph 8 of this Part IV. Details of the options outstanding, including the exercise price and expiry dates, are set out in the table below:

Number of Options					
SDI Group Share Option Scheme	*SDI Employee Share Option Scheme*	*SDI EMI Share Option Scheme*	*Total*	*Exercise Price*	*Expiry Date*
48,080*			48,080	£0.125	3 November 2009
	102,080		102,080	£0.125	13 July 2011
92,000	349,600		441,600	£0.125	15 August 2012
		240,000**	240,000	£0.125	19 August 2017
		56,000	56,000	£0.125	2 October 2017
		284,000	284,000	£0.125	5 October 2017
28,000			28,000	£0.125	5 October 2017
Total Options***			1,199,760		

* These Options are held by Philip Atkin, a Director and Chief Executive of the Company
** 160,000 of these Options are held by Philip Atkin, a Director and Chief Executive of the Company
*** 412,000 Options were exercised after 30 April 2008

5. Warrants

5.1 Pursuant to the terms of the Company's subscription agreement for the Convertible Loan Notes, any person who subscribed for Convertible Loan Notes was also entitled to receive Warrants to subscribe for one Ordinary Share at an exercise price of £0.70 for each £4.00 of Convertible Loan Notes held. As at the date of this document there are 94,750 Warrants over Ordinary Shares. The Warrants expire on 31 July 2013 but this expiry date may be extended by the Company at its sole option.

6. Convertible Loan Notes

6.1 Pursuant to a resolution of the Directors dated 16 June 2008, the Company created £500,000 of Convertible Loan Notes which were constituted pursuant to a loan note instrument dated 16 June 2008 (the "Loan Note Instrument"). The Company has allotted and issued £379,000 of Convertible Loan Notes which have been fully paid up. The Loan Note Instrument provides that the Convertible Loan Notes have a term of five years and are subject to interest at 9 per cent. per annum on any principal amounts outstanding from time to time. Interest accrues daily on any principal amounts outstanding and is payable in respect of each six month period ending 31 July and 31 January. Each Convertible Loan Note holder is entitled at any time prior to the repayment of the Convertible Loan Notes to serve notice on the Company to convert some or all of the outstanding balance of the Convertible Loan Notes into Ordinary Shares at a conversion price of £0.70 per Ordinary Share. The Company has the right at any time after 31 July 2011 to repay all or part of any outstanding unconverted Convertible Loan Notes and shall in any event repay any unconverted Convertible Loan Notes still outstanding by 31 July 2013.

7. Summary of Memorandum and Articles of Association of the Company

7.1 *Memorandum of Association*

The Memorandum provides that the principal objective of the Company is to carry on the business of a general commercial company. The Company is also authorised to carry on the business of a holding, management and investment company, which includes holding any investment and undertaking the management of any property, or holding any interests therein, and generally acquiring, dealing in, holding or disposing of any asset, property or securities of any description. The Company has other ancillary powers necessary to carry on its business including the power to borrow and raise money and co-ordinate, finance or manage all or any part of the operations of any company.

7.2 *Articles of Association*

The Articles which were adopted pursuant to a special resolution of the Company passed on 28 November 2008 contain, *inter alia*, provisions to the following effect:

Voting rights

Subject to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or proxy, unless the proxy (in either case) or the representative is himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder.

No member shall be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid.

Votes may be given personally or by proxy. A member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.

In the case of joint holders of a share who are entitled to vote, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

Transfer of shares

Save for in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register any transfer of certificated shares unless the instrument of transfer:

(i) is in respect of a share which is fully paid up;

(ii) is in respect of a share on which the Company has no lien;

(iii) is in respect of only one class of share;

(iv) is in favour of a single transferee or not more than four joint transferees;

(v) is duly stamped (if required); and

(vi) is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that the Board may not exercise such discretion in such a way as to prevent dealing from taking place on an open and proper basis.

If the Board refuses to register a transfer it must, within 2 months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee together with reasons for refusal.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days in any year).

Failure to disclose interests in shares

If a member, or any other person appearing to be interested in shares held by that member, has been given a notice under section 793 of the 2006 Act and has failed in relation to any shares (the "Default Shares") to comply with the statutory disclosure requirements within the prescribed period, or has failed to give the Company the information required by the notice, the following sanctions may apply (should the Directors so resolve):

(i) the member shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by proxy) at any general meeting or at a separate meeting of the holders of any class of shares or to exercise any other right conferred by membership in relation to any meetings of the Company; and

(ii) where the Default Shares represent at least 0.25 per cent. of the issued shares of their class (excluding any shares of that class held as treasury shares):

    (A) except on liquidation of the Company, any dividend or other money payable in respect of the Default Shares shall be withheld by the Company, which shall have no obligation to pay interest on it; and

    (B) no transfer of any shares held by the member, other than an approved transfer, shall be registered, unless the member is not himself in default as regards supplying the information requested and the transfer when presented for registration is accompanied by a certificate by the member in such form as the Board may in its absolute discretion require to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares which is subject to the transfer.

In respect of any Default Shares which are in uncertificated form the Board may require their holder to change them from uncertificated form into certificated form within a period specified in a written notice given to such holder and then to hold such Default Shares in certificated form for so long as the default subsists. Additionally, the Board may appoint any other person to take any steps in the name of such holder as may be required to change such shares from uncertificated form into certificated form.

Dividends

Subject to the provisions of the Acts, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of shares the right to elect to receive shares credited as fully paid instead of cash in respect of all or part of any dividend.

If cheques, warrants or orders for dividends or other moneys payable in respect of a share sent by the Company to the person entitled thereto are left uncashed or returned to the Company undelivered on 2 consecutive occasions, the Company shall not be obliged to send any dividends or other moneys payable in respect of that share due to that person.

Any dividend unclaimed after having become payable will be paid into a separate account of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend unclaimed after a period of 12 years from its due date of payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

Distribution of assets on liquidation

On a winding up of the Company, the liquidator may, with sanction of a special resolution of the Company and any other sanction required by the Insolvency Act 1986, distribute among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the member or different classes of members. The liquidator may, with like sanction, vest the whole or any part of the assets in trustees upon trust for the benefit of such members as the liquidator shall think fit, but so that no member shall be compelled to accept any such assets on which there is a liability.

Changes in share capital

The Company may alter its share capital as follows:

(i) it may by ordinary resolution increase its share capital, consolidate and/or divide all or any of its share capital into shares of larger or smaller amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

(ii) subject to the provisions of the Acts, it may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner; and

(iii) subject to the provisions of the Acts and to any rights for the time being attached to any shares, it may enter into any contract for the purchase of its own shares with the sanction of such resolution of the Company as may be required by the Acts and by a special resolution passed at a separate general meeting of the holders of each class of shares (if any) which at the date on which the contract is authorised by the Company in general meeting entitle them, either immediately or at any time later on, to convert all or any of the shares of that class held by them into equity share capital of the Company.

Variation of rights

Subject to the provisions of the Acts, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class together with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated while the Company is or is about to be in liquidation.

Rights of pre-emption

The Articles do not contain any provisions which set out a procedure for the exercise of pre-emption rights in addition to that provided for by the Acts.

Untraced shareholders

The Company shall be entitled to sell the shares of a member or the shares to which a person is entitled by transmission on death, bankruptcy or otherwise by operation of law, if, during a period of 12 years, at least 3 dividends have been paid in relation to such shares during those 12 years and no dividend has been claimed and within a further period of 3 months from the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of 12 years, the Company has not received any communication in respect of such shares from the member or the person entitled to the shares by transmission.

Provisions relating to directors

Directors' interests

Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any matter in which he has material interest or duty which conflicts with the interests of the Company. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- where his interest arises in relation to the subscription or purchase by him of shares, debentures or other securities of the Company pursuant to an offer or invitation to members or debenture holders of the Company or any class of them;
- where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the 2006 Act) representing one per cent. or more of either any class of the equity share capital or the voting rights in such company;
- relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

A Director may not vote or be counted in the quorum on any resolution on which he is not entitled to vote.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of the appointment) of 2 or more Directors, such proposals may be divided and a separate resolution considered in relation to each Director. In each case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

For the purposes of section 175 of the 2006 Act the Directors have power to authorise, on such terms (including as regards duration and revocation and whether or not with retrospective effect), and subject to such, if any, limits or conditions, as they may determine, any matter proposed to them in accordance with these Articles which would or might, if not so authorised, constitute or give rise to a situation in which a Director has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company.

Appointment, retirement and removal of directors

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall be not less than 2 but shall not be subject to any maximum.

At every annual general meeting one third of the Directors shall retire from office by rotation, having been determined (both as to numbers and identity) by the composition of the Board at the date of the notice convening the annual general meeting. If their number is not 3 or a multiple of 3, the number nearest to but not exceeding one third shall retire from office provided that if there is only one Director who is subject to retirement by rotation, he shall retire. Subject to the provisions of the Acts, the Directors to retire shall comprise those who have been longest in office since their last appointment or re-appointment. As between persons who became or were last re-appointed Directors on the same day, those to retire shall in default of agreement between them be determined by lot. No Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after the date of the notice but before the close of the meeting.

If the Company at the meeting at which a Director retires by rotation does not fill the vacated office, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless it is expressly resolved not to fill the vacancy or a resolution for the re-appointment of the Director is put to the meeting and lost.

Without prejudice to the provisions for retirement contained in the Articles, the office of a Director shall be vacated if:

(a) he ceases to be a Director by virtue of any provision of the Acts, is removed from office pursuant to the Articles, or becomes prohibited by law from being a Director; or

(b) he becomes bankrupt, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under the Insolvency Act 1986; or

(c) a court order for his detention on the grounds of mental disorder is made or he is admitted to hospital for treatment and the Board resolves that his office is vacated; or

(d) he resigns by notice in writing to the Company or having been appointed for a fixed term, that term expires; or

(e) without the permission of the Board, he is absent from Board meetings for 6 consecutive months (whether or not an alternative director appointed by him attends) and the Board resolves that his office is vacated; or

(f) he is requested to resign by notice in writing by not less than three quarters of the other directors (excluding any alternate director appointed by him).

No person other than a Director retiring at the meeting shall be appointed as a Director at any general meeting unless he is recommended by the Board or, not less than 7 nor more than 42 clear days before the day appointed for the meeting, notice duly executed by a member (other than the person to be proposed) qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of directors together with notice executed by that person of his willingness to be appointed is lodged at the registered office of the Company.

The Board has the power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

Directors' remuneration, expenses and pensions

The ordinary remuneration of the Directors who do not hold executive office for their services shall not exceed £250,000 per annum, or such higher sum as may from time to time be determined by an ordinary resolution of the Company. Subject thereto, each such Director shall be paid a fee at such rate as may from time to time be determined by the Board.

Subject to the provisions of the Acts, the Board may appoint one or more of its body to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.

Any appointment of a Director to an executive office shall terminate if he ceases to be a Director but without prejudice to any rights or claims which he may have against the Company by reason of such cessation. A Director appointed to an executive office shall not *ipso facto* cease to be a Director if his appointment to such executive office terminates.

The emoluments of any Director holding executive office for his services as such shall be determined by the Board, and may be of any description, and (without limiting the generality of the foregoing) may include admission to or continuance of membership of any scheme (including any share acquisition scheme) or fund instituted or established or financed or contributed to by the Company for the provision of pensions, life assurance or other benefits for employees or their dependants, or the payment of a pension or other benefits to him or his dependants on or after retirement or death.

All of the Directors are entitled to be repaid all travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

The Board may (by establishment of or maintenance of schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director or employee of the Company or any of its subsidiaries or any body corporate associated with, or any business acquired by, any of them, and for any member of his family (including a spouse or civil partner and a former spouse or civil partner) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit. The Board shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees of the Company, or of any other company which is its holding company or in which the Company or such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or any such other company, or who are or were at any time trustees of any pension fund in which employees of the Company or any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund.

Powers and duties of the board

Subject to the provisions of the Acts, the Memorandum and the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Board which may pay all expenses incurred in forming and registering the Company and may exercise all the powers of the Company, including the power to dispose of all or any part of the undertaking of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. The powers given by the Articles shall not be limited by any special power given to the Board by the Articles and a meeting of the Board at which a quorum is present may exercise all powers exercisable by the Board.

The Board may delegate any of its powers to any committee consisting of one or more Directors. The Board may also delegate to any Director holding any executive office such of its powers as the Board considers desirable to be exercised by him. Any such delegation shall, in the absence of express provision to the contrary in the terms of delegation, be deemed to include authority to sub-delegate to one or more Directors (whether or not acting as a committee) or to any employee or agent of the Company all or any of the powers delegated and may be made subject to such conditions as the Board may specify, and may be revoked or altered. The Board may co-opt on to any such committee persons other than Directors, who may enjoy voting rights in the committee. The co-opted members shall be less than one-half of the total membership of the committee and a resolution of any committee shall be effective only if a majority of the members present are Directors.

The Board may establish local or divisional Boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of the local or divisional Boards, or any managers or agents, and may fix their remuneration. The Board may delegate to any local or divisional board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Board, with power to sub-delegate, and may authorise the members of any local or divisional board, or any of them, to fill any vacancies and to act notwithstanding vacancies. Any appointment or delegation made pursuant to the Articles may be made upon such terms and subject to such conditions as the Board may decide and the Board may remove any person so appointed and may revoke or vary the delegation but no person dealing in good faith and without notice of the revocation or variation shall be affected by it.

The Board may, by power of attorney or otherwise, appoint any person or persons to be the agent or agents of the Company for such purposes, with such powers, authorities and discretions (not exceeding those vested in the Board) and on such conditions as the Board determines, including authority for the agent or agents to delegate all or any of his or their powers, authorities and discretions, and may revoke or vary such delegation.

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

General meetings

The Board shall convene and the Company shall hold general meetings and annual general meetings in accordance with the requirements of the Acts.

The Board may call general meetings whenever and at such times and places as it shall determine and, on the requisition of members pursuant to the provisions of the Act, shall convene a general meeting in accordance with the requirements of the Acts.

An annual general meeting shall be called by at least twenty-one clear days' notice. All other general meetings shall be called by at least fourteen clear days' notice but a general meeting may be called by shorter notice if it is so agreed:

(a) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of any other meeting by a majority in number of the members having a right to attend and vote being a majority together holding not less than ninety-five per cent. in nominal value of the shares giving that right.

The accidental omission to give notice of a meeting, or resolution or to send any notification where required by the Acts or the Articles in relation to the publication of a notice of meeting on a website, or to send a form of proxy with a notice where required by the Articles, to any person entitled to receive the same, or the non receipt of such notice, resolution or form of proxy by any such person, shall not invalidate the proceedings at that meeting.

No business shall be transacted at any general meeting unless a quorum is present, but the absence of a quorum shall not preclude the choice or appointment of a chairman, which shall not be treated as part of the business of the meeting. Save as otherwise provided by the Articles, two persons present in person or by proxy and entitled to vote upon the business to be transacted shall be a quorum.

If such a quorum is not present within five minutes (or such longer time not exceeding 30 minutes as the chairman of the meeting may decide to wait) from the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved, and in any other case shall stand adjourned to such time and place as the chairman of the meeting may determine. If at the adjourned meting a quorum is not present within fifteen minutes after the time appointed for holding the meeting, the meeting shall be dissolved.

The chairman, if any, of the Board or, in his absence, any deputy chairman of the Company or, in his absence, some other Director nominated by the Board, shall preside as chairman of the meeting, but if neither the chairman, deputy chairman nor such other Director (if any) is present within five minutes after the time appointed for holding the meeting or is not willing to act as chairman, the Directors present shall elect one of their number to be chairman. If there is only one Director present and willing to act, he shall be chairman. If no Director is willing to act as chairman, or if no Director is present within five minutes after the time appointed for holding the meeting, the members present in person or by proxy and entitled to vote shall choose a member or a proxy of a member of a person authorised to act as a representative of a corporation in relation to the meeting to be chairman.

Directors have the power to attend and speak at any general meeting regardless of whether they are a member or not.

The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. In addition, the chairman may adjourn the meeting to another time and place without such consent if it appears to him that it is likely to be impracticable to hold or continue that meeting because of the number of members wishing to attend who are not present. When a meeting is adjourned for thirty days or more or for an indefinite period, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

A resolution put to the vote of a general meeting shall be decided on a show of hands unless, before or on the declaration of the result of a vote on the show of hands or on the withdrawal of any other demand for a poll, a poll is duly demanded. Subject to the provisions of the Acts, a poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least two members present in person or by proxy having the right to vote at the meeting; or

(c) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares held as treasury shares); or

(d) any member or members present in person or by proxy holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to any shares held as treasury shares).

Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Where for any purpose an ordinary resolution of the Company is required, a special resolution shall also be effective. A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it as if it had been proposed at a general meeting shall be as effectual as if it had been passed at a general meeting duly convened, and may consist of several instruments executed by or on behalf of one or more of the members.

Change in Control

The Articles do not contain any provisions which would have the effect of delaying, deferring or preventing a change of control of the Company.

8. Share Option Schemes

8.1 The Company has adopted three option schemes, the SDI Group Share Option Scheme, the SDI Employee Share Option Scheme and the SDI EMI Share Option Scheme, further details of which are set out below.

8.2 ***SDI Group Share Option Scheme***

The Company adopted the SDI Group Share Option Scheme on 19 November 2007 to replace the options held by option holders in Synoptics immediately prior to the completion of the Share for Share Exchange with options in SDI. The following is a summary of the SDI Group Share Option Scheme:

Eligibility

All (i) employees of SDI or a company which is both under the control of SDI (within the meaning of Section 840 of Income and Corporation Taxes Act 1988 ("ICTA") or is a subsidiary (within the meaning of Section 736 of the Act) (a "Participating Company") or which is designated by the committee of the Board appointed for the purposes of administering the SDI Group Share Option Scheme (the "Committee") as being a Participating Company, and (ii) Directors of SDI and any Participating Company are eligible for membership of the SDI Group Share Option Scheme.

Grant of options

The Committee may at any time select employees or directors of SDI and any Participating Company and invite them to apply for the grant of options to acquire Ordinary Shares (the "Option"). The invitation shall be in a form prescribed by the Board and shall include details of (i) the number of Ordinary Shares in respect of which the employee or director is invited to apply for the grant of an Option, (ii) the exercise price (being not less than the nominal value of an Ordinary Share), (iii) the date by which the application by the employee or director must be received by SDI, and (iv) the consideration payable for the grant of an Option which shall be the sum of £1. This sum is non-refundable and is not deemed to form part of the exercise price.

Options granted under the SDI Group Share Option Scheme are personal to a participant and may not be transferred or assigned. If a participant does or suffers any act or thing whereby he would or might be deprived of the legal or beneficial ownership of any Option, the Option shall lapse.

Exercise price

The price at which each Ordinary Share subject to an Option may be acquired on the exercise of that Option, being not less than the nominal value of an Ordinary Share provided that in the event of any alteration in the issued share capital of the Company the exercise price may be adjusted by the auditors of the Company, but no such adjustment shall have the effect of reducing the exercise price below the then nominal value of an Ordinary Share.

Individual Limits

No Option shall be granted to an employee if it would result in that employee holding outstanding Options over Ordinary Shares with an aggregate exercise price exceeding the greater of £100,000 or four times the amount of the employee's Relevant Emoluments (as defined in paragraph 28(2) of Schedule 9 of ICTA) for the current or preceding Year of Assessment (being a year beginning on 6 April and ending the following 5 April) or, if there were no Relevant Emoluments for the preceding Year of Assessment, four times the amount of Relevant Emoluments for the period of twelve months beginning with the first day during the current Year of Assessment in respect of which there are Relevant Emoluments.

Exercise, lapse and exchange of options

Options must be exercised at any time prior to the earlier of the seventh anniversary of their date of grant or the date shown on the option certificate.

Options normally lapse on cessation of employment or appointment (as the case may be). However, exercise is permitted for a limited period following cessation of employment or appointment (as the case may be) for a period of six months of the participant ceasing to be an employee or director of SDI or a Participating Company. Upon the death of a participant, his personal representatives shall be entitled to exercise his Option within twelve months of the date of his death, provided the Option has not otherwise lapsed. In the event of a takeover, reconstruction, amalgamation, or liquidation of the Company, options may be exercised within certain specified time limits.

Limits on the issue of shares

No Option shall be granted if such grant would result in the aggregate of (i) the number of Ordinary Shares over which subsisting Options have been granted under the scheme, (ii) the number of Ordinary Shares which have been issued on the exercise of Options granted under the scheme, (iii) the number of Ordinary Shares over which subsisting Options have been granted under any other share options scheme during the period of ten years ending on the relevant date of grant and (iv) the number of Ordinary Shares which have been issued pursuant to any other employee share scheme (including a share option scheme) during the period of ten years ending on the relevant date of grant exceeding 10 per cent. of the Company's issued share capital from time to time.

Adjustments

The number of Ordinary Shares comprised in an Option and/or the relative exercise price may be adjusted if any issue of Ordinary Shares by way of capitalisation of profits or reserves or by way of rights or any consolidation or sub-division or reduction of capital is made, in which case the number of Ordinary Shares subject to Options then granted under the SDI Group Share Option Scheme, the definition of Ordinary Shares, the nominal value and/or class of Ordinary Shares available under the Scheme or comprised in any Option, or the rights attached to such Ordinary Shares may be adjusted by the Committee. The adjustment will then be confirmed as fair by the Company's auditors.

Rights attaching to shares

The scheme documentation is silent on what rights attach to any Ordinary Shares allotted under the SDI Group Share Option Scheme upon exercise of the Options granted.

Amendments

The Committee may at any time amend the SDI Group Share Option Scheme provided that any such amendment shall not operate so as to affect adversely any rights already acquired by a participant.

Tax

There are no tax provisions in the scheme rules.

8.3 ***SDI Employee Share Option Scheme***

The Company adopted the SDI Employee Share Option Scheme on 19 November 2007 to replace the options held by employees in Synoptics immediately prior to the completion of the Share for Share Exchange with options in SDI. The following is a summary of the SDI Employee Share Option Scheme:

Eligibility

Any employee of Synoptics (other than a director) who is required to work for Synoptics for not less than 20 hours (or, in the case of an employee who is a director, is required to devote to his duties not less than 25 hours) per week (excluding meal breaks) and is not precluded by paragraph 8 of Schedule 9 of ICTA from participating in the scheme, is eligible for membership of the SDI Employee Share Option Scheme.

Grant of Options

The Board may at any time select any number of employees and invite them to apply for the grant of options to acquire Ordinary Shares ("the Option"). The invitation shall include details of (i) the maximum number of Ordinary Shares in respect of which the employee is invited to apply for the grant of an Option, (ii) the subscription price at which the Ordinary Shares may be acquired on the exercise of any Option, (iii) the date by which the application by the employee must be made, and (iv) the consideration payable for the grant of an Option which shall be the sum of £1.

Options granted under the Scheme are personal to a participant and may not be transferred, assigned or charged. Any purported transfer, assignment or charge shall cause the Option to lapse.

Subscription price

The price at which each Ordinary Share subject to an Option may be acquired on the exercise of that Option, being the higher of the nominal value of an Ordinary Share and the market value of an Ordinary Share on the day the invitation to apply for the Option was issued. Market value is on any day the market value of an Ordinary Share determined in accordance with the provisions of Part VIII of the Capital Gains Tax Act 1979 and agreed in advance with HM Revenue & Customs.

Individual limits

No Option shall be granted to an employee if it would result in that employee holding outstanding Options over Ordinary Shares with an aggregate exercise price exceeding the greater of £100,000 or four times the amount of the employee's Relevant Emoluments (as defined in paragraph 28(2) of Schedule 9 of ICTA) for the current or preceding Year of Assessment (being a year beginning on 6 April and ending the following 5 April), or if there were no Relevant Emoluments for the preceding Year of Assessment, four times the amount of Relevant Emoluments for the period of twelve months beginning with the first day during the current Year of Assessment in respect of which there are Relevant Emoluments.

Exercise, lapse and exchange of options

Options may be exercised at any time following the earliest of the third anniversary of their date of grant, the death of the Option holder or the Option holder ceasing to be a director or employee of any Participating Company (as defined in the Scheme rules) by reason of injury, disability, redundancy or retirement.

Options shall lapse to the extent not previously exercised on the earliest of (i) the tenth anniversary of the their date of grant, (ii) the first anniversary of the Option holder's death, (iii) six months following the Option holder ceasing to be a director or employee of a Participating Company, (iv) six months after the Option has become exercisable in the event of takeover or liquidation, or (v) the Option holder being adjudged bankrupt.

Limits on the issue of shares

No Option shall be granted if such grant would result in the aggregate of (i) the number of Ordinary Shares over which subsisting Options have been granted under the scheme, (ii) the number of Ordinary Shares which have been issued on the exercise of Options granted under the scheme, (iii) the number of Ordinary Shares over which subsisting Options have been granted under any other share options scheme during the period of ten years ending on the relevant date of grant and (iv) the number of Ordinary Shares which have been issued pursuant to any other employee share scheme (including a share option scheme) during the period of ten years ending on the relevant date of grant exceeding 10 per cent. of the Company's issued share capital from time to time.

Adjustments

The number of Ordinary Shares comprised in an Option and/or the relative exercise price may be adjusted if any issue of Ordinary Shares by way of capitalisation or rights issue or any consolidation or sub-division or reductions of capital is made, in which case the number of Ordinary Shares subject to Options then granted under the SDI Employee Share Option Scheme and the Subscription Price (as defined in the scheme rules) may be adjusted by the Board. The adjustment will then be confirmed as fair by the Company's auditors. This adjustment may only be made if the Subscription Price for an Ordinary Share is not reduced below its nominal value, it has the prior approval of the Board and HM Revenue & Customs, the Ordinary Shares continue to satisfy the conditions of paragraphs 10 to 14 of Schedule 9 of ICTA and no adjustment shall be made which shall cause an Option to be capable of being exercised by a notice given later than one of the dates upon which an Option will lapse, and notice of any such adjustment is given as soon as practicable to the Option holder by the Board.

Rights attaching to shares

Save for any rights determined by reference to a date prior to the date of allotment, all Ordinary Shares allotted under the scheme upon exercise of the Options granted will rank *pari passu* with the other shares which form part of the ordinary share capital of the Company.

Amendments

The Board may at any time amend the scheme provided that any such amendment shall not operate so as to affect adversely any rights already acquired by an Option holder and any such amendments are approved by HM Revenue & Customs.

Tax

There are no tax provisions in the scheme rules.

Please note that the SDI approved scheme Options were issued under the Synoptics approved option scheme rules subject to a few minor amendments which were requested by HM Revenue & Customs.

8.4 ***SDI EMI Share Option Scheme***

The Company adopted the SDI EMI Share Option Scheme on 19 November 2007 to replace the options held by employees in Synoptics immediately prior to the completion of the Share for Share Exchange with options in SDI. The following is a summary of the SDI EMI Share Option Scheme:

Eligibility

All (i) employees of SDI and any Participating Company (as defined in the scheme rules) who is committed to working for one or more Participating Company in total for at least the minimum committed time prescribed by the Finance Act 2000, and (ii) any directors of SDI and any Participating Company who is committed to working for one or more Participating Company in total for at least the minimum committed time prescribed by the Finance Act 2000 are eligible for membership of the SDI EMI Option Scheme. Employees and directors will be excluded from participating in the SDI Employee Share Option Scheme if they have a material interest in the Company or any Group Company (as defined in the scheme rules).

Grant of Options

The option confers a right to acquire Ordinary Shares which are fully paid up and not redeemable (the "Option"). The Option is granted to the Option holder by reason of his employment with a Participating Company and in order to retain him as an employee.

Exercise Price

The price at which each Ordinary Share subject to an Option may be acquired on the exercise of that Option, being not less than the nominal value of an Ordinary Share provided that in the event of any alteration in the issued share capital of the Company the exercise price may be adjusted by the auditors of the Company, but no such adjustment shall have the effect of reducing the exercise price below the then nominal value of an Ordinary Share.

Individual Limits

No Option shall be granted to an employee if it would result in that employee holding outstanding Options over Ordinary Shares with an aggregate exercise price exceeding the greater of £100,000 or four times the amount of the employee's Relevant Emoluments (as is defined in paragraph 28(2) of Schedule 9 of ICTA) for the current or preceding Year of Assessment (being a year beginning on 6 April and ending the following 5 April), or if there were no Relevant Emoluments for the preceding Year of Assessment, four times the amount of Relevant Emoluments for the period of twelve months beginning with the first day during the current Year of Assessment in respect of which there are Relevant Emoluments.

Exercise, lapse and exchange of options

Options must be exercised at any time prior to the earlier of the tenth anniversary of their date of grant or the date shown on the schedule to the Option Agreement (as defined in the scheme rules).

Options normally lapse on cessation of employment or appointment (as the case may be). However, exercise is permitted for a limited period following cessation of employment or appointment (as the case may be) for a period of six months of the participant ceasing to be an employee or director of SDI or a Participating Company. Upon death of a participant, his personal representatives shall be entitled to exercise his Option within twelve months of the date of his death, provided the Option has not otherwise lapsed. In the event of a takeover, reconstruction, amalgamation, or liquidation of the Company, options may be exercised within certain specified time limits.

Limits on the issue of shares

No Option shall be granted if such grant would result in the aggregate of (i) the number of Ordinary Shares over which subsisting Options have been granted under the scheme, (ii) the number of Ordinary Shares which have been issued on the exercise of Options granted under the scheme, (iii) the number of Ordinary Shares over which subsisting Options have been granted under any other share options scheme during the period of ten years ending on the relevant date of grant and (iv) the number of Ordinary Shares which have been issued pursuant to any other employee share scheme (including a share option scheme) during the period of ten years ending on the relevant date of grant exceeding 10 per cent. of the Company's issued share capital from time to time.

Adjustments

The number of Ordinary Shares comprised in an Option and/or the relative exercise price may be adjusted if any issue of Shares by way of capitalisation or profits or reserves or by way of rights or any consolidation or sub-division or reductions of capital is made, in which case the number of Shares subject to Options then granted under the SDI Employee Share Option Scheme, the definition of Ordinary Shares, the nominal value and/or class of Share available under the SDI Employee Share Option Scheme or comprised in any option, or the rights attached to such Ordinary Shares, may be adjusted by the Committee. The adjustment will then be confirmed as fair by the Company's auditors.

Rights attaching to shares

All Ordinary Shares allotted under the Scheme upon exercise of the Options granted will form part of the ordinary share capital of the Company.

Amendments

The Committee (as defined in the Scheme rules) may at any time amend the Scheme provided that any such amendment shall not operate so as to affect adversely any rights already acquired by an Option holder.

Tax

The Company shall notify HM Revenue & Customs within 30 days of the date of grant of the Option that the Option has been granted. The Option holder must co-operate with the Company in making the Option effective, including signing a declaration in the form required by HM Revenue & Customs. The Company shall make annual returns to HM Revenue & Customs in the form required or authorised.

9. Directors' and Other Interests

9.1 As at the date of this document and immediately following Admission, the holdings of the Directors (all of which are beneficial unless otherwise stated) and the interests of persons connected with the Directors within the meaning of sections 252 to 254 of the 2006 Act, in the issued share capital of the Company are, and will be, as follows:

Director	*Number of Ordinary Shares*	*Percentage of Issued Share Capital*
Harry Tee[1]	896,000	5.38
Philip Atkin[2]	894,754	5.37
Jeremy Gibbs	Nil	N/A
Alfred Vaisey	Nil	N/A

Notes:

1 This number of Ordinary Shares includes 200,000 Ordinary Shares held by Harry Tee and 696,000 Ordinary Shares held by Minerva Trust Company Limited as trustee for the H L Tee Settlement Trust, the beneficiaries of which are Harry Tee and his family. In addition, Harry Tee and his family are beneficially interested in £75,000 of Convertible Loan Notes which, if converted, would increase the number of Ordinary Shares he is interested in by 107,143 Ordinary Shares.

2 This number of Ordinary Shares includes 657,940 Ordinary Shares held by Philip Atkin, 156,816 Ordinary Shares held by Philip Atkin's wife and 79,998 Ordinary Shares held by his children in aggregate.

9.2 As at the date of this document, the Directors hold the following Options:

Director	*Options*	*Exercise Price*
Harry Tee	Nil	N/A
Philip Atkin	208,080*	£0.125
Jeremy Gibbs	Nil	N/A
Alfred Vaisey	Nil	N/A

* 48,080 of these Options are subject to the rules of the SDI Group Share Option Scheme and expire on 3 November 2009. 160,000 of these Options are subject to the rules of the SDI EMI Share Option Scheme and expire on 19 August 2017.

9.3 Pursuant to the terms of the Introduction Agreement (as defined in paragraph 12.3 of this Part IV) the Directors have agreed not to dispose of the securities that they hold for a period of 12 months from the date of this document unless they consult with Grant Thornton and the Company's broker prior to any disposal and to make any such disposal through the Company's broker in order to maintain an orderly market in the Ordinary Shares. Further details of the orderly market arrangements entered into by the Directors are set out in paragraph 12.3 of this Part IV.

9.4 In addition to their directorships of the Company, the Directors held or have held the following directorships, and are or were members of the following partnerships, within the period of five years immediately preceding the date of this document:

Director	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
Harry Tee	Dialight plc (previously known as The Roxboro Group plc) Piezotag Limited Science, Engineering and Manufacturing Technologies Alliance Scientific Instrument Makers Hall Limited	Gambica Association Limited Information Technology Telecommunications and Electronics Association PERA International The Federation of the Electronics Industry The Roxboro Group plc subsidiaries being: Belling Lee Limited BLP Circuit Protection Limited BLP Electro-Magnetics Limited CRL Components Inc. Dialight BLP Limited Dialight Corp. Dialight Europe Limited KDG Houdec S.A. (NV) Mobrey A.B Mobrey Group Limited Mobrey Limited Mobrey Overseas Sales Limited Mobrey S.A. Mobrey Transducers Limited PED Limited Pressure Systems Inc. Pressure Systems International Limited Roxboro Analytical Inc. Roxboro Analytical Limited Roxboro Holdings Inc. Roxboro Limited Roxboro Metrology Inc. Roxboro Overseas Limited Roxboro Technology Inc. Shildon Controls Limited Shildon Investments Limited Solarton Inc. Solartron Instruments (1994) Limited Solartron Instruments Limited Solartron Metrology (1994) Limited Solartron Metrology 2001 Limited Roxboro Technology Solartron Metrology Limited Weston Aerospace (1993) Limited WGL (2003) Limited Zoomclose Limited
Philip Atkin	Artemis CCD Limited Image Techniques of Cambridge Limited Myriad Solutions Limited Synoptics Limited	Synoptics Inc.

Director	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
Jeremy Gibbs	Cambridge Venture Management (2000) Limited	Synoptics Inc. Synoptics Limited
Alfred Vaisey	None	Dialight plc (previously known as The Roxboro Group plc) and its subsidiaries being: Belling Lee Limited BLP Circuit Protection Limited BLP Electro-Magnetics Limited CRL Components Inc. Dialight BLP Limited Dialight Corp. Dialight Europe Limited Dialight plc KDG Houdec S.A. (NV) Mobrey A.B Mobrey Group Limited Mobrey Limited Mobrey Overseas Sales Limited Mobrey S.A. Mobrey Transducers Limited Mobrey Trustee Company Limited PED Limited Pressure Systems Inc. Pressure Systems International Limited Roxboro Analytical Inc. Roxboro Analytical Limited Roxboro Group Quest Trustee Limited Roxboro Holdings Inc. Roxboro Limited Roxboro Metrology Inc. Roxboro Overseas Limited Roxboro Technology Roxboro Technology Inc. Shildon Controls Limited Shildon Investments Limited Solarton Inc. Solartron Instruments Limited Solartron Investments (1994) Limited Solartron Metrology Limited Solartron Metrology (1994) Limited Solartron Metrology 2001 Limited The Roxboro Trust Company Limited Weston Aerospace (2003) Limited WGL (2003) Limited Zoomclose Limited

9.5 Save as set out below, as at the date of this document, none of the Directors:

- has any unspent convictions in relation to indictable offences; or
- has been bankrupt or has made, or been the subject of, any individual voluntary arrangement; or

- has been a director of any company at the time of or within 12 months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or with any class of its creditors; or
- has been a partner in a partnership at the time of or within 12 months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding the date of its assets being the subject of a receivership; or
- has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

9.6 Jeremy Gibbs was appointed a director of Citibet Limited ("Citibet") on 5 November 1995 with the specific remit of realising the company's assets. At the time of Mr Gibbs' appointment, Citibet had ceased trading. Citibet was placed in liquidation in September 1996. Mr Gibbs assisted the liquidator in realising the company's assets and a dividend was paid to the company's unsecured creditors. The final deficiency was less than £82,000. Mr Gibbs resigned as a director of Citibet in October 1996 and Citibet was dissolved on 16 October 2002.

9.7 Jeremy Gibbs is the general manager of Adaptivity Limited, a company which advises Dana Investments BV on its investment portfolio. Dana Investments BV is a major shareholder of SDI as disclosed in paragraph 10 of this Part IV.

9.8 Save as set out in this document, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which has been effected by the Company since its incorporation and which remains in any way outstanding or unperformed.

9.9 No loan or guarantee has been granted or provided by the Company to or for the benefit of any Director.

9.10 Details of service agreements between the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment are set out in paragraph 11 of this Part IV.

9.11 Details of the number of employees of the Group for each of the three financial years ended 30 April 2008 are as follows:

Financial Year End	*Average Number of Employees*
30 April 2006	40
30 April 2007	35
30 April 2008	36

10. Major Shareholders

10.1 Other than the shareholdings of the Directors and connected persons which are set out in paragraph 9.1 of this Part IV, the Company has been notified of the following persons (other than Directors) who, as at the date of this document and immediately following Admission will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company:

Name	*Number of Ordinary Shares*	*Percentage of issued share capital*
Dana Investments BV	3,163,160	18.98
State Street Nominees Limited	1,543,648	9.26
AXA Equity & Law Life Assurance Society Plc	1,209,704	7.26
Ronald John Frederick Howard*	1,125,152	6.75
Synoptics Employee Benefit Trust	711,528	4.27
Dr William Owen Saxton	649,992	3.90
Peter Burton	621,040	3.73
Andrew Green	517,864	3.11

Note:

* This number of Ordinary Shares includes 109,536 Ordinary Shares held by Technology Management Services Limited. Ronald John Frederick Howard is a director of and owns the entire issued share capital of Technology Management Services Limited.

10.2 Save as disclosed in this document and so far as the Company is aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

10.3 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

10.4 The major shareholders do not have different voting rights from those of any other shareholder.

10.5 Pursuant to Rule 5 of the Transparency Obligations Directive (Disclosure and Transparency Rules) Instrument 2006 (FSA 2006/70), disclosure must be made in respect of any interest in the Ordinary Shares that is equal to or in excess of 3 per cent. of the nominal value of the issued share capital in the Company and of changes in such interest through a 1 per cent. threshold.

11. Directors' service agreements and letters of appointment

The following are particulars of the Directors' letters of appointment with the Company and certain Directors' and officers' employment agreements with Synoptics:

11.1 ***Harry Tee***

Mr Tee entered into a letter of appointment with the Company dated 12 November 2008 in respect of his appointment as Non-Executive Chairman of the Company. The appointment commenced with effect from 27 June 2008 and will continue until terminated by either party on giving 3 months' notice. His office as Director shall be immediately terminated under the terms of the letter of appointment in certain events without compensation (unless his office is terminated by a resolution of the shareholders in which case he shall be entitled to compensation equal to 3 months' fees). Pursuant to the appointment letter, Mr Tee agrees to perform such functions and duties in keeping with his position as a Director and Non-Executive Chairman as may reasonably be required and has agreed to devote sufficient time and attention to the discharge of such duties. Mr Tee also agrees under his letter of appointment to have regard to the duties imposed on directors under the 2006 Act. In consideration for the performance of his duties under the letter of appointment, Mr Tee is entitled to a fee of £32,000 per year. In the event Mr Tee is required to spend more than 15 working days per year in the discharge of his duties, he shall be entitled to £800 per additional working day spent, on the production of a valid timesheet. Mr Tee indemnifies the Company in relation to all liabilities relating to tax to the extent deductions are not made by the Company. Expenses incurred in travelling to or returning from meetings of the directors or general meetings of the Company, or otherwise on or about the business of the Company, shall be reimbursed by the Company. The Company will also reimburse any reasonable legal fees incurred by Mr Tee in relation to his position as Director if the Company deems it was reasonably necessary in the discharge of his duties. Mr Tee will also serve on the audit and remuneration committees and any other committees established by the Company. The Company has agreed to indemnify Mr Tee in relation to his position as Director to the fullest extent permitted by law. The letter of appointment contains confidentiality provisions, intellectual property provisions and a post-termination 3 month non-compete covenant. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interests. The letter of appointment is governed by English law.

11.2 ***Philip Atkin***

Dr Atkin entered into an employment agreement with Synoptics dated 17 November 2008 to act as full time Executive Chairman (the "Service Agreement"). Dr Atkin's continuous employment began on 1 April 1985. Pursuant to the Service Agreement, Dr Atkin shall at all times use his best endeavours to promote and protect the business and interests of Synoptics and shall devote the whole of his time, attention and abilities to this role. Dr Atkin will not supply services to any person other than the Company or any associated company. Dr Atkin is entitled to receive an annual salary of £96,491. In addition to his remuneration, Dr Atkin shall be reimbursed for all reasonable travelling, hotel, entertainment and other expenses properly and necessarily incurred in the discharge of his duties. At the discretion of the Board, Dr Atkin may be allowed to participate in such performance related pay schemes and share schemes as Synoptics may operate from time to time. Dr Atkin is entitled to 5 weeks annual leave per year. Dr Atkin's employment contract will continue for an indefinite period terminable by Dr Atkin on 6 months' notice or by 12 months' notice by Synoptics, such period to reduce to 6 months' notice on the second anniversary of Admission. In the event Dr Atkin's employment is terminated by reason of liquidation of Synoptics for the purposes of amalgamation or reconstruction, Dr Atkin shall be offered employment with any concern or undertaking resulting from such amalgamation or reconstruction on terms no less favourable than the terms of his Service Agreement. The Service Agreement also contains a confidentiality provision with post-termination restrictions with respect to the dissemination and use of confidential information, a 6 month non-compete covenant (save in connection with a change of control of Synoptics or SDI) and a 6 month non-solicitation covenant in respect of customers and employees. There is also a requirement to comply with SDI's share dealing code. The Service Agreement is governed by English law.

Dr Atkin also entered into a letter of appointment with the Company dated 12 November 2008 in respect of his appointment as a Director and Chief Executive of the Company. The appointment commenced with effect from 9 November 2008 and will continue until terminated by the Company on giving 12 months' notice which period shall reduce to 6 months' notice on the second anniversary of Admission, or by Dr Atkin on giving 6 months' notice. His office as Director shall be immediately terminated under the terms of the letter of appointment in certain events without compensation. Pursuant to the appointment letter, Dr Atkin agrees to perform such functions and duties in keeping with his position as a Director and Chief Executive as may reasonably be required and has agreed to devote sufficient time and attention to the discharge of such duties, which are in addition to his full time duties as Executive Chairman of Synoptics and as set out in his service agreement. Dr Atkin also agrees under his letter of appointment to have regard to the duties imposed on directors under the 2006 Act. In consideration for the performance of his duties under the letter of appointment, Dr Atkin is not entitled to any additional remuneration than that granted under his service agreement. Expenses incurred in travelling to or returning from meetings of the directors or general meetings of the Company, or otherwise in or about the business of the Company shall be reimbursed by Synoptics. The Company has agreed to indemnify Dr Atkin in relation to his position as Director to the fullest extent permitted by law. The letter of appointment contains confidentiality provisions, intellectual property provisions and a post-termination 6 month non-compete covenant save in connection with termination due to a change of control of the Company. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interests. The letter of appointment is governed by English law.

11.3 ***Jeremy Gibbs***

Mr Gibbs' service as Non-Executive Deputy Chairman is being provided pursuant to the terms of an agreement between Adaptivity Limited ("Adaptivity"), Mr Gibbs and the Company. The parties entered into a letter of appointment in respect of Mr Gibbs' appointment as Non-Executive Deputy Chairman of the Company dated 12 November 2008. The appointment commenced with effect from 9 November 2008 and will continue until terminated by Adaptivity or the Company upon giving 3 months' notice. Mr Gibbs' office as Director shall be immediately terminated under the terms of the letter of appointment in certain events without compensation (unless his office is terminated by a resolution of the shareholders in which case Adaptivity shall be entitled to compensation equal to 3 months' fees). Pursuant to the appointment letter, Mr Gibbs agrees to perform such functions and duties in keeping with his position as a Non-Executive Deputy Chairman as may reasonably be required and has agreed to devote sufficient time and attention to the discharge of such duties. Mr Gibbs also agrees under his letter of appointment to have regard to the duties imposed on directors under the 2006 Act. Adaptivity has agreed to procure that Mr Gibbs complies with all of his obligations under the agreement. In consideration for Adaptivity's procurement of the performance of Mr Gibbs' duties under the agreement, Adaptivity is entitled to a director's fee of £16,000 per year. These fees shall accrue from day to day, payable upon presentation of invoices by equal monthly instalments in arrears on or about the last working day of each calendar month. VAT shall be payable by the Company only upon receipt of a correct VAT invoice. In the event Mr Gibbs is required to spend more than 15 working days per year in the discharge of his duties, Adaptivity shall be entitled to £800 per additional working day spent by Mr Gibbs on the production of an appropriate invoice. Adaptivity indemnifies the Company in relation to all liabilities relating to tax. Expenses incurred in travelling to or returning from meetings of the directors or general meetings of the Company, or otherwise in or about the business of the Company shall be reimbursed by the Company to Adaptivity. The Company will also reimburse Adaptivity any reasonable legal fees incurred by Mr Gibbs in relation to his position as a Director if the Company deems it was reasonably necessary in the discharge of his duties. Mr Gibbs will also serve as Chairman of the remuneration committee. The Company has agreed to indemnify Mr Gibbs in relation to his position as Director to the fullest extent permitted by law. The letter of appointment contains confidentiality provisions, intellectual property provisions and a post-termination 3 month non-compete covenant binding on both Adaptivity and Mr Gibbs. There is also a requirement for both Adaptivity and Mr Gibbs to comply with the Company's share dealing code and to disclose any potential conflicts of interests. The letter of appointment is governed by English law.

11.4 ***Alfred Vaisey***

Mr Vaisey entered into a letter of appointment with the Company dated 12 November 2008 in respect of his appointment as Senior Independent Director of the Company. The appointment commenced with effect from 22 August 2008 and will continue until terminated by either party on giving 3 months' notice. His office as Director shall be immediately terminated under the terms of the letter of appointment in certain events without compensation (unless his office is terminated by a resolution of the shareholders in which case he shall be entitled to compensation equal to 3 months' fees). Pursuant to the appointment letter, Mr Vaisey agrees to perform such functions and duties in keeping with his position as Senior Independent Director as may reasonably be required and has agreed to devote sufficient time and attention to the discharge of such duties. Mr Vaisey also agrees under his letter of appointment to have regard to the duties imposed on directors under the 2006 Act. In consideration for the performance of his duties under the letter of appointment, Mr Vaisey is entitled to a fee of £16,000 per year. In the event Mr Vaisey is required to spend more than 15 working days per year in the discharge of his duties, he shall be entitled to £800 per additional working day spent on the production of a valid timesheet. Mr Vaisey indemnifies the Company in relation to all liabilities relating to tax to the extent deductions are not made by the Company. Expenses incurred in travelling to or returning from meetings of the directors or general meetings of the Company, or otherwise on or about the business of the Company, shall be reimbursed by the Company. The Company will also reimburse any reasonable legal fees incurred by Mr Vaisey in relation to his position as a Director if the Company deems it was reasonably necessary in the discharge of his duties. Mr Vaisey will also serve as Chairman of the audit committee. The Company has agreed to indemnify Mr Vaisey in relation to his position as Director to the fullest extent permitted by law. The letter of appointment contains confidentiality provisions, intellectual property provisions and a post-termination 3 month non-compete covenant. There is also a requirement to comply with the Company's share dealing code and to disclose any potential conflicts of interests. The letter of appointment is governed by English law.

12. Material Contracts

12.1 ***Nominated Adviser Agreement***

Pursuant to an agreement made between the Directors, the Company and Grant Thornton dated 2 December 2008 (the "Nominated Adviser Agreement"), Grant Thornton was appointed to act as the Company's nominated adviser for an initial period of 12 months from Admission (the "Initial Period"). The Nominated Adviser Agreement may be terminated by Grant Thornton or the Company on 30 days' prior written notice, such notice not to expire prior to the end of the Initial Period. In certain circumstances, such as in the event that the other party commits a material breach of the Nominated Adviser Agreement, the Nominated Adviser Agreement may be terminated immediately. Under the terms of the Nominated Adviser Agreement, the Company and the Directors provide certain undertakings and covenants to Grant Thornton in relation to their respective compliance with the AIM Rules for Companies, amongst other matters. In addition the Company provides Grant Thornton an indemnity in respect of any loss it incurs arising out of, *inter alia*, Admission or claims made against Grant Thornton in connection with Admission.

12.2 ***Broker Agreement***

Pursuant to an agreement made between the Company and Dowgate dated 2 December 2008, Dowgate was appointed as the Company's broker for the purposes of the AIM Rules for Companies for an initial period of 12 months from the date of Admission (the "Initial Period") and thereafter unless terminated by either party giving three months' prior written notice, such notice not to expire prior to the end of the Initial Period. The Company has also given certain undertakings and indemnities to Dowgate.

12.3 ***Introduction Agreement***

The Company and the Directors entered into an agreement dated 2 December 2008 pursuant to which Grant Thornton conditionally agreed to provide its reasonable assistance to the Company in connection with obtaining Admission. The Company and the Directors have given certain warranties as to the accuracy of the information in this document and other matters in relation to the Company and its business. In addition, the Company and the Directors provide Grant Thornton an indemnity in respect of any loss it incurs arising out of, *inter alia*, Admission or claims made against Grant Thornton in connection with Admission. The Directors have also undertaken to Grant Thornton that for a period of 12 months from Admission to not dispose of any interests they have in Ordinary Shares or other securities of the Company without first consulting Grant Thornton and Dowgate, and to seek to first sell the Ordinary Shares through the Company's Broker, except in certain limited circumstances.

12.4 ***Share for Share Exchange***

On 5 November 2007 the Company made an offer for the entire issued share capital of Synoptics (the "Offer"). The Company offered each existing shareholder of Synoptics 8 Ordinary Shares in the Company for each ordinary share of 1p each held in Synoptics. The Offer was accepted by the requisite majority of shareholders of Synoptics on 5 December 2007. The ordinary shares in Synoptics held by the non-assenting shareholders were compulsorily acquired by the Company on 27 February 2008 following exercise of the provisions of sections 974 to 991 (inclusive) of the 2006 Act. Pursuant to the Offer Synoptics became a wholly owned subsidiary of the Company.

12.5 ***Artemis Share Purchase Agreement***

Pursuant to a share purchase agreement made between the Company and Stephen John Chambers and Tracey Dawn Chambers (the "Artemis Sellers") dated 16 October 2008 (the "Completion Date"), the Company acquired the entire issued share capital of Artemis (the "Sale Shares"). The consideration for the Sale Shares consisted of the allotment and issue to the

Artemis Sellers of 1,333,000 Ordinary Shares in aggregate (the "Consideration Shares"). The Consideration Shares are to be allotted and issued to the Artemis Sellers in two tranches: the first tranche of 666,500 Ordinary Shares is to be allotted twelve months from the Completion Date and the second tranche of 666,500 Ordinary Shares is to be allotted twenty-four months from the Completion Date. The Company has the right to withhold allotting and issuing some or all of the Consideration Shares to the Artemis Sellers in the event of a breach of warranty by any of the Artemis Sellers which is either agreed by the parties or following the referral of the matter to a barrister of no less than 10 years calling, such barrister opines that the Artemis Sellers have committed a breach of warranty and has also opined as to quantum. Both the Company and the Artemis Sellers have given warranties in respect of certain matters regarding their respective businesses. In addition, as part of the consideration for the Sale Shares, Mr Chambers is entitled to receive a cash payment of £70,000 in aggregate (the "Cash Payment"). On the Completion Date Mr Chambers received a proportion of the Cash Payment in the amount of £23,333. Mr Chambers is entitled to receive the remainder of the Cash Payment in two tranches. The first tranche totalling £23,333 will be paid to him on 16 March 2009 and the second tranche totalling £23,334 will be paid to him on 16 August 2009.

12.6 ***Perseu Share Purchase Agreement***

Pursuant to a share purchase agreement made between the Company and Rui Manuel Silva Carvalho Tripa ("Mr Tripa"), amongst others, (the "Perseu Sellers"), dated 16 October 2008 (the "Completion Date") the Company acquired the entire issued share capital of Perseu. The consideration for the entire issued share capital of Perseu consisted of the allotment and issue to Mr Tripa of 1,333,000 Ordinary Shares (the "Consideration Shares") and the payment of, in aggregate, £4 to the other Perseu Sellers. The Consideration Shares are to be allotted and issued to Mr Tripa in two tranches: the first tranche of 666,500 Ordinary Shares is to be allotted twelve months from the Completion Date and the second tranche of 666,500 Ordinary Shares is to be allotted forty-eight months from the Completion Date. The Company has the right to withhold allotting and issuing some or all of the Consideration Shares to Mr Tripa in the event of a breach of warranty by the Perseu Sellers which is either agreed by the parties or following the referral of the matter to a barrister of no less than 10 years calling such barrister opines that the Perseu Sellers have committed a breach of warranty and has also opined as to quantum. Both the Company and the Perseu Sellers have given warranties in respect of certain matters regarding their respective businesses.

12.7 ***Lock-in Arrangements***

Pursuant to agreements entered into by the Company with each of Dana Investments B.V., Ronald John Frederick Howard and Technology Management Services Limited (collectively referred to as the "Covenantors") dated on or around November 2008, the Covenantors have each undertaken to the Company that they will not dispose of their interests in Ordinary Shares for a period of 12 months from Admission and for an additional 12 months thereafter will only dispose of their interests in Ordinary Shares through the Company's Broker. The Covenantors on Admission, in aggregate, will have an interest in 25.73 per cent. of the share capital of the Company.

13. Engagement Letter

The Company entered into an engagement letter with Grant Thornton on 15 October 2008 in relation to Grant Thornton's appointment as the Company's Nominated Adviser.

14. Related Parties

Save as disclosed in this document, there have been no related party transactions of the kind set out in the standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into since incorporation.

15. Investments

Save as disclosed in this document, the Company has made no principal investments since incorporation.

16. Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

17. Accounting Policy

The financial statements of the Company will be prepared under IFRS.

18. Contracts of Fundamental Importance

Save as set out in this document, the Company is not dependant on patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.

19. Litigation

No member of SDI is or has been involved in any governmental, legal or arbitration proceedings against or being brought by any member of SDI which may have or has had during the 12 months preceding the date of this document a significant effect on SDI's financial position or profitability nor, so far as SDI is aware, are any such proceedings pending or threatened against any member of SDI.

20. Consents

20.1 Grant Thornton has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears.

20.2 Dowgate has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which it appears.

20.3 Littlejohn has given and not withdrawn its written consent to the inclusion of its Accountant's Reports in Part III of this document and the references to such reports and to its name in the form and context in which it is included in this document and accepts responsibility for such reports. Except for this information in the Admission document, no other information has been audited or reviewed by auditors.

21. General

21.1 The costs and expenses of, and incidental to, the Admission will be borne by the Company and will be approximately £340,000.

21.2 Save as otherwise set out in this document and except for fees payable to the professional advisers whose names are set out on page 4 of this document and trade suppliers, no person has received fees, securities in the Company or any other benefit to a value of £10,000 (or its currency equivalent) or more whether directly or indirectly, from the Company within the 12 months preceding the application for the Company's share capital to be admitted to trading on AIM, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.

21.3 Other than disclosed in this document, there has been no significant change in the financial or trading position of the Company since 30 April 2008, being the date of its accounts, as set out in Part III of this document.

21.4 No Director nor any member of his immediate family has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

21.5 Where information in this document has been sourced from third parties, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

21.6 The Company's auditors are Grant Thornton UK LLP.

22. Availability of this Document

Copies of this document are available for inspection during normal business hours on any weekday (public holidays excepted) from the offices of Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU and on the Company's website, www.scientificdigitalimaging.com up to and including 9 January 2009.

Dated: 2 December 2008

PART V

TAXATION

1. United Kingdom Taxation

This Part V is intended as a general guide to UK current tax law and practice in the areas referred to below. It applies to persons who (unless the position of non-resident shareholders is expressly referred to) are resident or ordinarily resident in the UK for tax purposes and who beneficially own shares as investments (and not as employment-related securities). Any person who is in doubt as to his or her tax position or requires further information should consult an appropriate professional adviser.

1.1 ***UK taxation of dividends***

No tax will be withheld by the Company when it pays dividends under current United Kingdom tax legislation.

1.1.1 *Individual and trustee shareholders*

1.1.1.1 An individual shareholder, resident for tax purposes in the United Kingdom, who receives a dividend from the Company will be entitled to a tax credit equal to one ninth of the amount of the net dividend which is also equivalent to a tax credit of 10 per cent. of the sum of the net dividend and the tax credit (the "gross dividend").

1.1.1.2 Individual shareholders resident for tax purposes in the United Kingdom will be liable to income tax on the amount of the gross dividend. Dividend income will be treated as the top slice of an individual's income. The tax credit referred to in subparagraph 1.1.1.1 above will discharge the liability to income tax in respect of the dividend of an individual shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to income tax on the gross dividend. A higher rate taxpayer will be liable to income tax on the gross dividend at a rate of 32.5 per cent. After setting off the tax credit, a higher rate tax payer will be liable to an additional income tax equal to 25 per cent. of the net dividend. However, if an individual United Kingdom resident shareholder's total tax credit on such dividends exceeds his overall United Kingdom tax liability, the excess tax credit is not repayable.

1.1.1.3 For dividends paid to trustees of United Kingdom resident discretionary or accumulation trusts the gross dividend will be subject to United Kingdom income tax at a rate of 32.5 per cent. with a tax credit equal to 10 per cent. of the gross dividend.

1.1.1.4 The amount of the tax credit in respect of a dividend paid which constitutes income of a pension fund, charity or venture capital trust, will not be repaid.

1.1.2 *Corporate shareholders*

A corporate shareholder (other than a share dealer) resident for tax purposes in the United Kingdom will not generally be liable to United Kingdom corporation tax on dividends received from another UK tax resident company.

1.1.3 *Non-resident shareholders*

Shareholders who are not United Kingdom resident will not generally be able to claim repayment from HM Revenue and Customs of any part of the tax credit attaching to dividends paid by the Company. Persons who are not resident in the United Kingdom should consult their own tax advisers concerning his tax liabilities on dividends received from the Company.

1.2 ***Taxation on capital gains for shareholders***

If a shareholder disposes of all or any of his or its Ordinary Shares, he or it may, depending on the shareholder's particular circumstances, incur a liability to taxation on chargeable gains.

HM Revenue and Customs have confirmed that securities dealt with on AIM will not fall to be treated as listed or quoted securities for tax purposes. There are a number of tax reliefs available for unquoted securities (subject to a number of different requirements in each case) and anyone who requires further information on this should consult an appropriate professional adviser.

1.3 ***Stamp duty and stamp duty reserve tax ("SDRT")***

1.3.1 Except as mentioned in sub paragraph 1.3.3 below, the transfer of existing Ordinary Shares by the Selling Shareholders will be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration paid or, if an unconditional agreement to transfer the shares is not immediately completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid.

1.3.2 Except as mentioned in sub-paragraph 1.3.3 below, the transfer on sale of existing Ordinary Shares will generally be liable to *ad valorem* stamp duty at the rate (in broad terms) of 0.5 per cent. of the amount or value of the consideration paid or, if an unconditional agreement to transfer the shares is not immediately completed by a duly stamped transfer or where the transfer is effected under CREST, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay the stamp duty or SDRT is that of the transferee or purchaser. In the case of transfers in CREST, SDRT will be collected in CREST in accordance with the rules of the CREST system.

1.3.3 Where a charge to stamp duty or SDRT arises under sections 67, 70, 93 or 96 of the Finance Act 1986 (which broadly apply where ordinary shares are transferred or, in certain circumstances, are issued to persons who issue depository receipts or provide clearance services, or their nominees or agents), stamp duty at the higher rate (in broad terms) of 1.5 per cent. or SDRT at the higher rate of 1.5 per cent. (as appropriate) will be payable on the amount or value of the consideration paid for the issue or subsequent transfer.

1.4 The contents of this Part V are based on current UK tax laws and HM Revenue & Customs practice and do not constitute tax advice. If any individual is in any doubt as to their tax position they should seek their own professional advice.

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"2006 Act"	the Companies Act 2006, as amended, for the time being in force
"Act"	the Companies Acts 1985 and 1989, as amended and/or replaced from time to time
"Acts"	the 2006 Act and/or the Act, as the context permits
"Admission"	the admission of the Company's share capital in issue to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules for Companies"	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM, as amended from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern, *inter alia*, the eligibility, approval and continuing obligations of Nominated Advisers (as defined in the AIM Rules for Companies), as amended from time to time
"Artemis"	Artemis CCD Limited, a company incorporated under the laws of England and Wales with registered no. 5948849, which is a wholly owned subsidiary of the Company
"Articles"	the articles of association of the Company, as amended from time to time
"Board"	the board of directors of the Company
"City Code"	the City Code on Takeovers and Mergers (as published by the Panel)
"Broker" or "Dowgate"	Dowgate Capital Stockbrokers Limited, which is authorised and regulated by the Financial Services Authority to carry on investment business and is a member of the London Stock Exchange
"Combined Code"	the Combined Code on corporate governance issued by the Financial Reporting Council, as amended from time to time
"Company" or "SDI"	Scientific Digital Imaging plc, a company incorporated under the laws of England and Wales with registered no. 6385396
"Company's Registrar" or "Registrar"	Capita Registrars Limited, a company incorporated under the laws of England and Wales with registered no. 2605568
"Convertible Loan Notes"	the convertible loan notes of £500,000 further details of which are set out in paragraph 6 of Part IV of this document

"CREST"	the computerised settlement system used to facilitate the transfer of title to or interests in securities in uncertificated form, operated by Euroclear UK & Ireland Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001, as amended
"Directors"	the Directors of the Company, whose names are listed on page 4 of this document
"DNA"	deoxyribonudeic acid
"Financial Services Authority" or "FSA"	the Financial Services Authority
"FSMA"	the Financial Services and Markets Act 2000 (as amended from time to time)
"IFRS"	International Financial Reporting Standards
"Grant Thornton"	Grant Thornton UK LLP, a limited liability partnership registered in England and Wales whose principal place of business is Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and which is the UK member firm of Grant Thornton International
"Group"	the corporate group which comprises the Company and the subsidiaries of the Company including Synoptics, Synoptics Inc., Artemis and Perseu
"Littlejohn"	Littlejohn, the reporting accountants to the Company
"London Stock Exchange"	London Stock Exchange plc
"Memorandum"	the memorandum of association of the Company
"Official List"	the official list of the UK Listing Authority
"Ordinary Shares"	the ordinary shares of £0.01 each in the share capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"Perseu"	PERSEU – Comércio de Equipamento Para Informática e Astronomia, SA, a company incorporated in Portugal with registered number 505474700
"Pound Sterling" or "£"	the lawful currency of the United Kingdom
"Prospectus Rules"	the prospectus rules published by the FSA from time to time pursuant to sections 73A(1) and (4) of FSMA
"Prospectus Directive"	European Parliament and Council Directive 2003/71/EC
"QCA Guidelines"	the corporate governance guidelines for AIM companies published by the Quoted Companies Alliance, a body representing smaller quoted companies
"RNA"	ribonucleic acid
"SDI EMI Share Option Scheme"	the SDI EMI option scheme, further particulars of which are set out in paragraph 8 of Part IV of this document

"SDI Employee Share Option Scheme"	the Synoptics employee share option scheme, further particulars of which are set out in paragraph 8 of Part IV of this document
"SDI Group Share Option Scheme"	the Scientific Digital Imaging Group 1998 unapproved employee option scheme, further particulars of which are set out in paragraph 8 of Part IV of this document
"Share for Share Exchange"	the share for share exchange, further particulars of which are set out in paragraph 12.4 of Part IV of this document
"Shareholders"	the persons who are registered as holders of Ordinary Shares from time to time
"Synoptics"	Synoptics Limited, a private limited company incorporated in England and Wales registered with company number 1874861 which is a wholly owned subsidiary of the Company;
"Synoptics Inc."	Synoptics Inc., a corporation existing under the General Corporation Law of the State of Delaware with registration number 3264146
"UK"	the United Kingdom
"UK Listing Authority" or "UKLA"	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"US", "USA" or "United States"	the United States of America
"US Dollar"	the lawful currency of the United States
"Warrants"	the warrants over Ordinary Shares

Perivan Financial Print 213734