



**Building
on our
Success**

Scientific Digital Imaging plc ("SDI") designs and manufactures analytical technology products for use in applications including:



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Highlights

Revenue

+20% including 5% organic growth



Adjusted profit before tax*

+32.5%



Reported profit before tax

+23.8%



Cash generated from operations

+28%



Record 5 new acquisitions added to the Group for consideration of

£6.7m

Gross margin consistent

66%



Companies across the Group continuing to contribute good organic sales growth, profitability and cash generation

Why invest in SDI?

- + Buy & build model within the science, technology and medical markets
- + Good growth drivers
- + Potential acquisitions of companies with niche expertise
- + Ten successful acquisitions since 2014
- + Reputation building as acquisition partner of choice
- + Track record of selecting sustainable profitable businesses

Our Specialist Company Portfolio

SDI Group is an AIM-quoted group specialising in the acquisition and development of a portfolio of companies that design and manufacture digital imaging and sensing and control products for use in science, technology and medical applications. Corporate expansion is being pursued, both through organic growth within its subsidiary companies and through the acquisition of high-quality businesses with established reputations in global markets.

Digital Imaging...

The Digital Imaging segment incorporates the Synoptics brands Syngene, Synbiosis and Synoptics Health, the Atik brands Atik Cameras, Opus and Quantum Scientific Imaging, and the Fistreem, Ionscope and Graticules Optics businesses acquired during the year.

Atik

Based in Norwich, UK, Atik Cameras designs specialised cameras under the Atik, Quantum Scientific Imaging and Opus Instruments brands and for OEM customers. The cameras from all three brands are manufactured in a dedicated factory in Lisbon, Portugal.

● Atik Cameras

Atik Cameras designs and manufactures highly sensitive cameras for life science and industrial applications, as well as deep-sky astronomy imaging.

● Quantum Scientific Imaging

Quantum Scientific Imaging (QSI) designs and manufactures a range of high-performance cameras that have applications in astronomy, life sciences and flat panel inspection.

Originally based in the USA, SDI acquired the assets of QSI in February 2018 and transferred production to Atik's manufacturing facility in Lisbon, Portugal.

● Opus Instruments

Opus Instruments is a world leader in the field of Infrared Reflectography cameras for use in art conservation. It developed its original **Osiris** camera in collaboration with the National Gallery in London. Recently it has developed a higher specification version called **Apollo** which has been well received by the art conservation market.

Synoptics

Synoptics based in Cambridge UK, is the headquarters and manufacturing site for Syngene, Synbiosis, Synoptics Health, Fistreem International and Ionscope products.

● Syngene

Syngene develops and manufactures systems and software specifically for automated gel-based DNA and protein fluorescence/chemiluminescence imaging and includes the popular global systems, **G:BOX** and **NuGenius**.

● Synbiosis

Synbiosis provides automated and manual systems for microbiological testing in food, water, pharmaceutical and clinical applications, with its **ProtoCOL 3** system used in all the major pharmaceutical companies for vaccine and antibiotic development.

● Synoptics Health

Synoptics Health manufactures and supplies **ProReveal**, a highly sensitive fluorescence-based patented protein detection test for checking the presence of residual protein on surgical instruments after going through a washer disinfectant process.

● Fistreem International

Fistreem International designs and manufactures water purification products and vacuum ovens. The firm's **Cyclon Water Still** is recognised as a world-leading brand. The Company was acquired by SDI in September 2018. Its technology portfolio is being relocated for manufacture at Synoptics' facility in Cambridge, UK.

● Ionscope

Ionscope produces Scanning Ion Conductance Microscopes, a niche microscopy technique which allows nanoscale topographical mapping of soft and delicate surfaces. The business, based in Cambridge, UK, was acquired by SDI in January 2019 for a nominal amount and was relocated to the Synoptics site also in Cambridge, UK.



SDI's nine Digital Imaging brands increased sales revenues by

23%

in the past financial year.

2018
£7.6m

2019
£9.4m

Graticules Optics

Graticules Optics is a world-class designer and manufacturer of precision micropattern products. The firm, based in Kent, UK was acquired by SDI in February 2019 and is unique in offering photolithographic products on glass, film and on metal foil, with additional capability in coatings, cementing, mounting and small optical assembly.



Our Specialist Company Portfolio continued



Sensors & Controls

The Sensors & Control segment combines our Sentek, Astles Control Systems and Applied Thermal Control entities, and the Thermal Exchange and MPB Industries businesses acquired during the year.

Sentek

Sentek manufactures and markets off-the-shelf and custom-made, reusable and single-use electrochemical sensors for use in laboratory analysis, food, beverage, pharmaceutical and personal care manufacturing, as well as the leisure industry. The company, based in Braintree UK and Auchtermuchty, UK serves global markets and has long-term contracts to supply sensors to two major life science companies.

Astles Control Systems

Astles Control Systems is a supplier of chemical dosing and control systems principally to manufacturers of beverage cans. The company is based in Princes Risborough, UK and supplies capital equipment together with service contracts and repeat business consumables.

Applied Thermal Control

Applied Thermal Control based in Loughborough, UK manufactures and supplies a range of chillers, coolers and heat exchangers used within the scientific instrument support market where cooling systems are required to protect instrumentation, improve analytical repeatability and stability or remove heat from chemical reactions.

Thermal Exchange

Thermal Exchange manufactures and maintains heat exchangers, coolers and chillers to the Industrial, Medical and Scientific markets. The company based in Leicester, UK designs and provides cooling solutions for its customers.

MPB Industries

MPB Industries designs and manufactures flowmeters, flow alarms, flow indicators, flow switches, calibration cylinders and sight glasses for the measurement of liquids and gases by well-known industrial and scientific users. Based in East Peckham, UK, MPB operates across a broad range of applications including water treatment, oil and gas production, medical anaesthesia, and scientific analysis.



Our 5 Sensing & Control brands increased sales revenues by

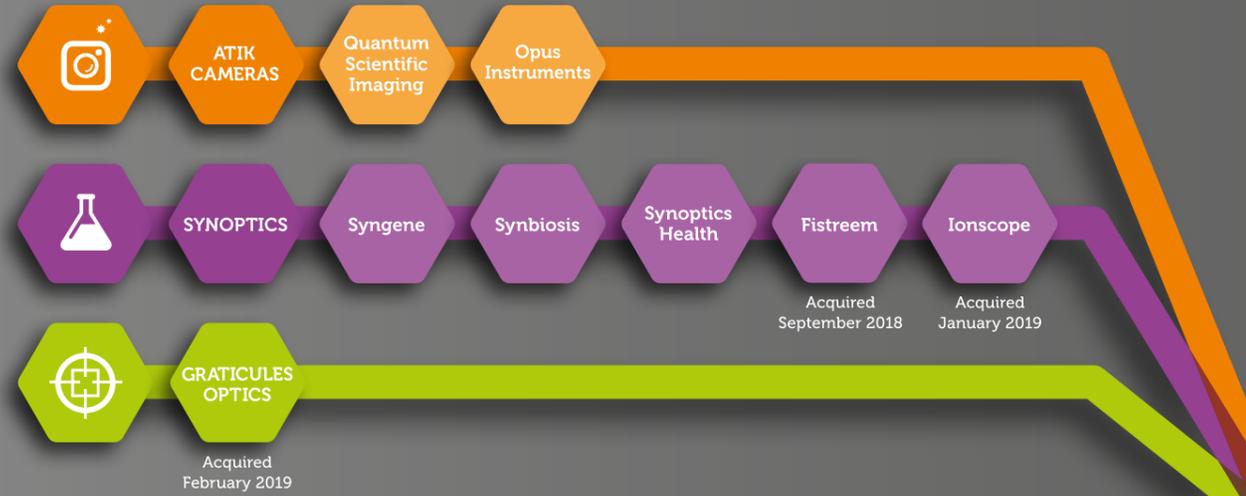
17%

2018
£6.8m

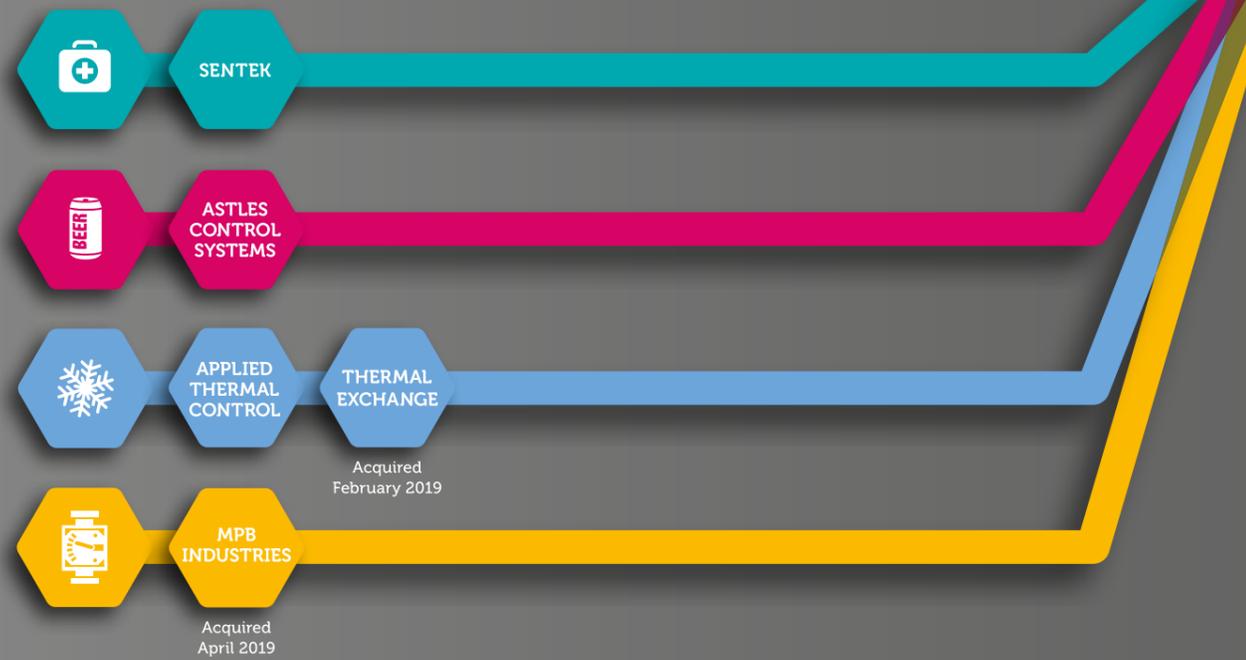
2019
£8m

Group Overview

Digital Imaging



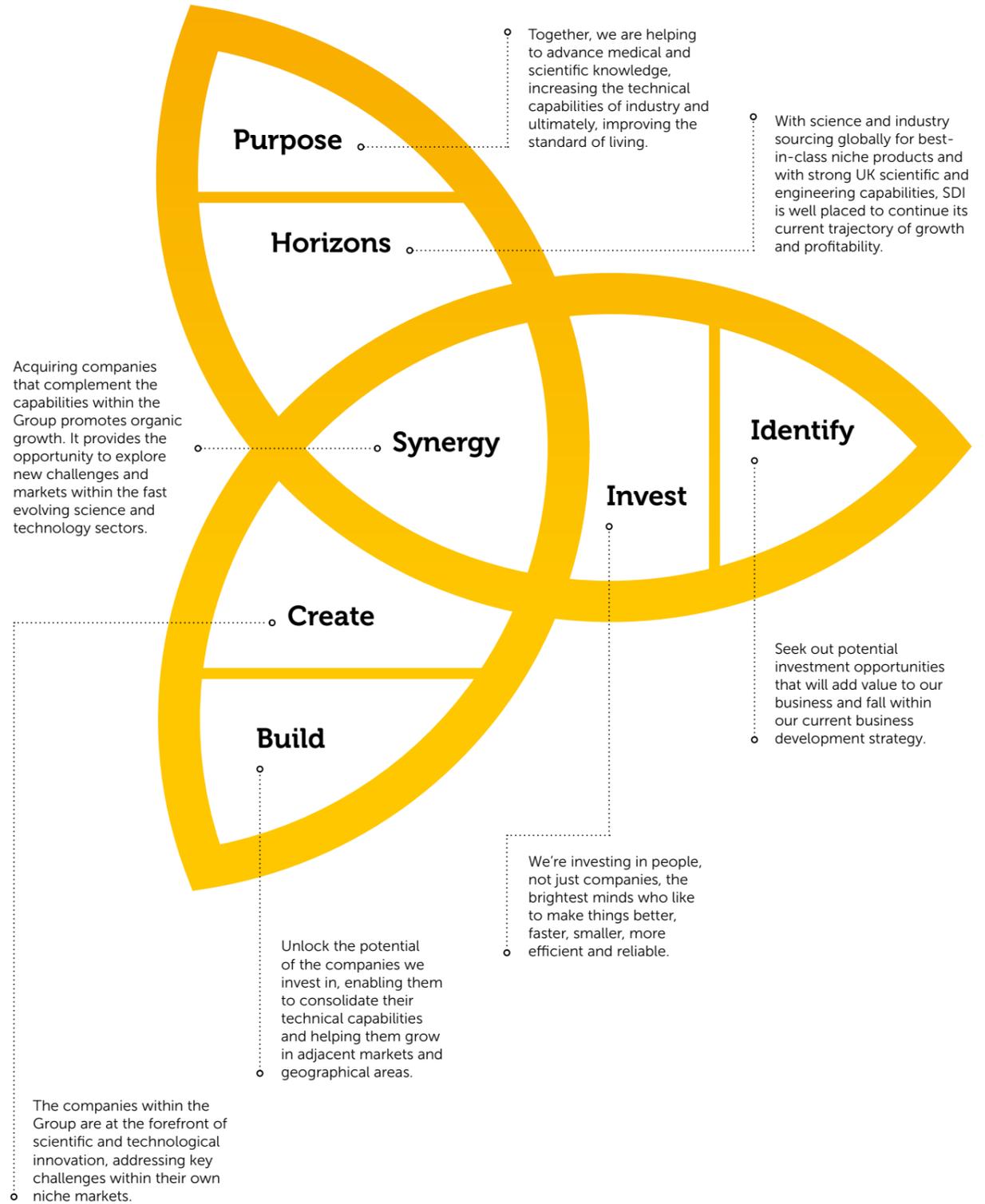
Sensors and Controls



Our Vision...

To develop our existing technologies and to grow through strategic acquisitions.

...and how we achieve it.



Chairman's Statement

for the year ended 30 April 2019

Performance

I am pleased to report that in the financial year ended 30 April 2019, Scientific Digital Imaging plc (SDI) (the Group) made considerable progress. **The Group achieved record revenues, pre-tax profit and earnings per share whilst completing five acquisitions.** SDI acquired Fistreem International (September 2018), Ionscope (January 2019), Thermal Exchange (February 2019), Graticules Optics (February 2019) and MPB Industries (April 2019). These businesses have complementary technologies for the sectors that the SDI Group serves and offer potential for continued sales and profitable growth.



Ken Ford
Chairman
17 July 2019

Full year Revenues of £17.4 million are up 20% and Adjusted Profit before Tax* at £3.0 million is up 32.5% against the prior year. Reported Profit before Tax is up by 23.8% to £2.1m. This performance has been achieved through 5% organic growth from the businesses already in the Group's portfolio at the start of the financial year, demonstrating continued commercial demand for the niche technologies produced within SDI. The newly acquired businesses have also delivered a contribution in line with the Board's expectations.

On 12th February 2019 SDI announced a placing of 7.6 million shares at 34p to help with the funding of the Graticules Optics acquisition (for £3.4 million), and raised gross proceeds of £2.5 million. The placing included an issue with Primary Bid to permit private clients to participate. SDI also made use of its increased bank facilities to fund the acquisitions.

* Before reorganisation costs, acquisition costs, share-based payments and amortisation of acquired intangible assets.

SDI Group Share Price Performance



Strategy

The Group continues to implement a buy and build strategy adding carefully selected acquisitions, where possible funded by earnings and cash flows from the Group's existing businesses, but also using debt or share issues if required. The Group's policy is to acquire profitable, often niche, small/ medium-sized companies with relevant medical and scientific technologies. In order to obtain immediate, continuing earnings enhancements, SDI only acquires businesses with complementary technologies that have sustainable profits and cash generating capability.

The requirement for SDI's products, particularly in the science and technology industries, remains robust. Since many of the Group's businesses trade globally this reduces the potential for volatility in European markets as a result of Brexit uncertainty and currency fluctuations. Long-term market drivers, including the global expansion of automation and in-process measurements to support optimisation across science and industrial applications, should result in continued demand for the Group's technologies. All the major companies where SDI provides original equipment manufacturer (OEM) products and components in their automated systems have signed long-term agreements to ensure continuity of their supply-chain.

Delivering returns to SDI's shareholders is a key objective of the Group and this year the Board has put in place a Long-Term Incentive Plan to incentivise management to increase shareholder value. The Board has decided not to pay a dividend for the year ended April 2019 but will keep this under review in the current year.

Governance and Organisation

The Board remains committed to high standards of corporate governance and has adopted the 2018 QCA Corporate Governance Code after deciding it was best suited to SDI's business aims and ambition.

During the year, SDI's Board has benefitted from the appointment of a new Chief Financial Officer, Jon Abell. His expertise and contribution has already proved valuable and the Board is confident that he will continue to have a very positive impact on the Group's operations. As I have been actively involved in the acquisition process I am now not deemed to be non-executive. The appointment of two strong non-executive directors in the last two years gives the Board confidence that strong corporate governance remains a key point of principle for the Group.

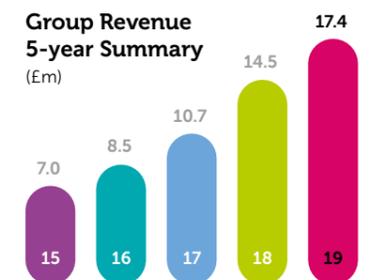
The pleasing results achieved this financial year are due to the hard work of all SDI's staff delivering to budget and quality targets and the Board would like to thank all of them for their contribution to this year's positive performance.

Current Trading and Outlook

Since 2014 SDI has seen turnover rise from £7 million to £17.4 million and a Loss Before Tax of £38,000 become a Profit Before Tax of £2.1 million. The market capitalisation has been below £2 million and is now around £50 million and a share price once at 8p is currently over 50p (at date of this report).

The Board believes that the scientific, technology and medical sectors in which SDI operates are ripe for further acquisitions and consolidation. SDI's attraction to a company looking to sell are multiple, including providing the support and investment required whilst, in most cases, leaving the management team in place. In the coming year SDI will continue to integrate the five newly acquired businesses into the Group according to their needs. The Group is focusing on organic growth but also expects to add at least one new business that complements SDI's capabilities in the financial year ending in April 2020.

The year has started well and a further announcement will be made at the Annual General Meeting on our progress. The Board is confident that SDI will continue to deliver profitable growth in 2019-20.



Buy & Build ...We're on track

Thermal Exchange
Purchased Feb 2019

MPB Industries
Purchased April 2019

Ionscope
Purchased Jan 2019

Graticules Optics
Purchased Feb 2019

Fistreem International
Purchased Sept 2018



New acquisitions
have contributed

£1.3m

of revenue to the
Group in this
financial year. This is
expected to increase
in the year ahead.

Chief Executive's Operating Report

for the year ended 30 April 2019



Mike Creedon
Chief Executive Officer
17 July 2019

Group revenues for the financial year ended 30 April 2019 grew from £14.5 million to £17.4 million, an increase of 20%. This reflects organic growth and the full year contributions of Applied Thermal Control and Quantum Scientific Imaging, acquired in 2017/2018, as well as acquisitions in the year. During this financial year, a record number of five companies were acquired at a cost of £6.8 million. Acquisition costs were part-funded by an oversubscribed share issue in February 2019, which raised proceeds of approximately £2.4 million, from the Company's existing bank facilities and from the cash flows of the Group's existing businesses. The Group now has a market capitalisation of approximately £50 million.

Revenues and Profit

SDI's nine digital imaging brands delivered £9.4 million revenue and a 20% operating profit during the past financial year. Revenues have been enhanced by organic growth of 5% and the acquisition of Fistreem International, Ionscope and Graticules Optics into the digital imaging division in 2018/19. Demand for products from the Atik brands remains robust across all global markets. Atik is now the largest division in the SDI Group. This year's highlights for Atik include £0.5 million revenue from Quantum Scientific Imaging which was acquired in 2018 for £0.25 million and £0.4 million revenue from sales of the new Opus Apollo camera. QSI is now fully integrated into Atik's manufacturing, design and commercial facilities. Additionally, Atik's largest OEM customer, a major US-based life science company rated Atik very highly for customer support and increased their purchases by 90% during the financial year.

SDI's five sensors and control companies progressed from £6.8 million to £8.0 million in revenue, an increase of 17% in this financial year. Revenues have been enhanced by the acquisition of MPB Industries and Thermal Exchange and organic growth of 5%. Sentek had another strong year with demand for its single-use or limited life sensors, from two major life science companies with whom Sentek has five-year supply contracts, continuing to increase. Sentek is the largest company in the sensors and control division.

Adjusted operating profit, our preferred internal measure of profit for our businesses (which excludes reorganisation costs, share-based payments, acquisition costs and amortisation of acquired intangible assets) increased 32.2% to £3.1m (2018: £2.3m). Reported operating profit increased by 23.8% to £2.2m.

Basic earnings per share increased by 16.0% from 1.81p to 2.10p; fully diluted earnings per share improved 14.5% to 2.05p (2018: 1.79p).

Chief Executive's Operating Report continued

for the year ended 30 April 2019

Operations

SDI has continued to invest in the improvement of its existing products, as well as the development of new technologies and additional manufacturing capacity where required. To keep pace with market requirements, Atik Cameras is expanding its production facility in Lisbon, Portugal. The new site, which is 2.5 times larger than Atik's existing one, will be operational by the end of 2019 and will house additional production staff to ensure demand for the Opus, QSI and Atik cameras is met in the coming year.

The Synoptics site in Cambridge, UK is now the headquarters of two of the newly acquired brands, Fistreem International and Lonscope. Production of Fistreem's technology is being relocated from Loughborough to take advantage of Synoptics' underutilised manufacturing capacity and to provide an additional steady revenue stream to Synoptics from sales of Fistreem consumables.

Sentek's new larger production facility at Braintree with three newly refurbished buildings became operational in 2019. Housing additional clean room space and manufacturing staff, this new site is allowing Sentek to meet targets for quality and production of sterile sensors for two major clients.

Thermal Exchange (acquired in February 2019) and Applied Thermal Control manufacture complementary chiller technologies and are geographically closely located. SDI has identified a suitable site to house both companies in the UK and the relocation will be completed during this financial year. Co-locating both companies on the same site will ensure synergies in development and manufacturing expertise, economies of scale in terms of costs, as well as the opportunity to select and establish a solid global distributor network going forward.

The Group has made these investments to facilitate future growth of revenues and profits while also growing in the current year.

Acquisitions

The UK is a centre of excellence for product innovation and manufacturing with world-leading businesses in many niches of science and technology. As a buy and build group, the acquisition of businesses with complementary technologies is key to the success of SDI. The Group is known to be a supportive buyer that trusts subsidiary management teams with the day-to-day running of their firms, and this reputation underpinned the successes seen in 2018/19 where the Group made a record number of five business acquisitions. After consolidation currently being worked on, these acquisitions will ultimately add two additional manufacturing sites to SDI's estate, both of them near Tonbridge, UK. The acquisitions have also allowed better utilisation of manufacturing capacity at the Synoptics site in Cambridge by Lonscope and Fistreem International, acquired in 2018/19, and the opportunity to find a single new site to house Thermal Exchange, acquired in February 2019, with Applied Thermal Control. The new acquisitions have contributed £1.3 million of revenue to the Group in this financial year and SDI expects all of the businesses added to the Group in 2018/19 to continue to be earnings enhancing in the coming year.

The Group has sufficient cash and bank facilities that can be used, with its steady cash flow, to acquire new businesses with complementary technologies and SDI would expect to announce further expansion of the Group with the addition of at least one new business in 2020.

Outlook

Market demand for digital imaging and sensors and control technologies remains strong and is being driven primarily by increased worldwide investment in higher education and a growing trend towards automation and in-process measurement. These are areas across which the SDI Group successfully operates, and are well known in their niches. Although these markets can be subject to short-term variability, influenced by government spending and currency fluctuations, because the Group's geographic and technology markets are spread globally, SDI feels it is well-positioned to remain competitive.

SDI has started 2019 in a strong financial position with good forward orders within the operating businesses. The Group's business will continue to be influenced by world-wide public spending and trade issues (including Brexit) which could impact performance; however, SDI is well diversified and has shown its resilience in the past three years and the outlook in the next financial year continues to be positive.



Complementary technologies are the key to our Success

Fistreem's 'vapour trap' glass condenser for their Calypso and Cyclon Ultrapure water stills, is typical of the innovative new technologies that address a specialist market need and drives our business model.

This unique, patented water distillation system is widely used in the scientific, pharmaceutical and healthcare industries.

Strategy and Key Performance Indicators

Strategy

SDI Group is an AIM-quoted group specialising in the acquisition and development of a portfolio of companies that design and manufacture products for use in digital imaging and sensing and control applications in science, technology and medical markets. Corporate expansion is being pursued, both through organic growth within its subsidiary companies and through the acquisition of high-quality businesses with established reputations in global markets.

The Board believes there are many businesses operating within the market, a number of which have not achieved critical mass, that presents an ideal opportunity for consolidation. This strategy will be primarily focused within the UK but, where opportunities exist, acquisitions in Europe and the United States and elsewhere will also be considered, particularly if these also enable geographic expansion of our existing businesses.

We intend to buy stand-alone businesses as well as smaller entities and technology acquisitions which bolt onto our existing ones.

In previous years we have acquired Atik Cameras, Opus Instruments, Sentek and Astles Control Systems. In the financial year ended 30 April 2018 we acquired Applied Thermal Control and Quantum Scientific Imaging. In the latest financial year ending 30 April 2019, we completed four significant acquisitions: Fistreem International, Thermal Exchange, Graticules Optics and Thermal Exchange. We also acquired lonscope, which was integrated directly into our Synoptics entity. All of these acquisitions fit our acquisition criteria, which are listed opposite.

An important element of our strategy is that we are known to be a good acquirer, able to help sellers to achieve a sale quickly and easily, and without surprises.

We keep a lean headquarters, and our businesses are run by seasoned local management with broad discretion within defined limits. Our aim is to grow them, profitably, and we seek to provide them with the resources necessary to grow. Acquired businesses often find that they can grow faster within the SDI Group than they were prepared

to do under private ownership, and they are able to learn from and share experience with other companies in the group.

Our current businesses fall broadly into two segments, which we call Digital Imaging and Sensors & Control, and within these groupings there are significant commonalities of applications, industries served and technologies employed. This provides additional opportunity for knowledge sharing, and we have initiated a programme of mentoring within the Sensors & Control businesses.

Growth in revenues and profit within our businesses depends on both technology advancement and seeking new customers, often by expanding geographical reach, and the Board sees geographical expansion as a driver of organic growth for the future.

By lowering the cost of capital of businesses we acquire and by facilitating their profitable growth, our business model has demonstrated that it can provide good returns to shareholders and can be scaled into the future.

Key Performance Indicators

A range of financial key performance indicators are monitored on a monthly basis against budget by the Board and by management, including order pipeline, revenue, gross profit, costs, adjusted operating profit, and cash.

In support of our acquisition strategy as outlined above, we monitor our acquisition pipeline, including any prospects that fail to progress. Post-acquisition, the Board discusses integration progress, and monitors financial performance against our initial plans. Over a longer period, we monitor the return on total invested capital of all of our businesses.

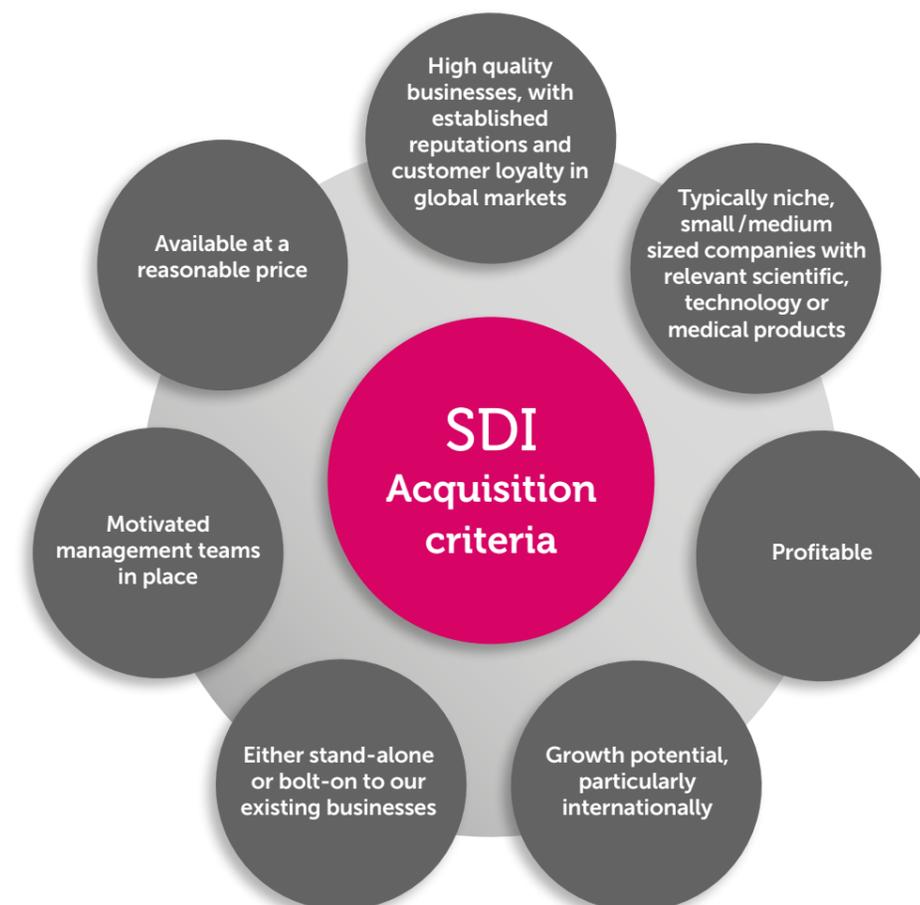
The Board regularly discusses progress in all major research and development and other projects with project and business leaders, including with respect to cost, timelines and adherence to the projects' initial objectives.

Additionally, the Board reserves a specific agenda item for discussion of health and safety and other employee welfare-related issues.

What the SDI Group offers as an acquirer

- + Experience in completing acquisitions in a co-operative atmosphere understanding the needs of the seller. It can be a stressful experience, and we aim to make it as easy and certain as possible.
- + Continuity of the business as a stand-alone entity and brand, and continuing employment for staff, if appropriate.
- + Continuity of management. We would not typically buy a business without management in place, and we especially welcome owner-managers who want to remain active in the business.
- + Support and investment to allow the business to grow and thrive as part of a solid and well-financed group of similar businesses.

There can be no promises, as we will always act in the interests of our shareholders in the future. However, if we have bought the right businesses, we expect them to thrive.



Principal Risks and Uncertainties

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

Competition and technological obsolescence

Competition from direct competitors or third party technologies could impact upon our market share and pricing.

In order to mitigate this risk the Group continues to invest in researching its markets and continues to offer new products in response to changing customer preferences. In addition the Group invests in research and development to maintain its competitive advantage.

Dependence on key distributors and OEM customers

Failure to effectively manage our distributors of products could damage customer confidence and adversely affect our revenues and profits.

In order to mitigate this risk the Group dedicates significant resource to maintaining close relationships with our distributors and OEM customers, including at Group level.

Acquisitions

Acquisitions are a key element of our strategy, and the failure to identify and prosecute acquisition opportunities would impact future growth in profit and share price. The Group spends significant time and energy in identifying acquisition opportunities, and receives suggestions from various sources as well as directly or through our own businesses and management. These are carefully filtered, and the most attractive ones are managed to a possible successful conclusion.

An additional important risk is that an acquisition does not provide the financial return expected. The Group's disciplined due diligence process helps to avoid this, but the Group is also able to marshal resources in support of an acquired entity's management team to help them improve performance as necessary.

Currency translation

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

As with the majority of international companies, the Group's UK and overseas businesses purchase goods and services, and sell some of their products, in non-functional currencies. Where possible, the Group nets such exposures or keeps this exposure to a minimum. The Group's principal exposure is to US Dollar and Euro currency fluctuations against Pound Sterling, and in both currencies we sell more than we purchase and we have a higher level of debtors than creditors. This typically means that a relative devaluation of the Pound results in exchange gains and an improvement in competitiveness, whereas a revaluation has the opposite effect.

We do not hedge our exposure financially, but we do have some activity in both Europe and USA which acts a partial natural hedge. We keep cash balances in Euros and Dollars to a minimum. If the Pound revalues, we will review all opportunities to realign our costs to the changed circumstances.

Recruitment and staffing

If the Group fails to recruit and retain individuals with the appropriate skills and experience its performance may suffer. To ensure the Group retains the highest calibre staff it has implemented a number of schemes designed to retain key individuals, both financial and non-financial, including bonuses and share option schemes.

Brexit

The Group manufactures its products in the UK and in Portugal, and sells worldwide. The likely exit of the UK from the European Union may cause some initial disruption to goods movements, may increase barriers to trade between the UK and the EU, and may impact the investment plans of some of our customers. There are likely also to be macroeconomic developments impacting exchange rates, interest rates, GDP growth and government spending levels. The Group has operating flexibility to mitigate some of the potential effects, but is exposed to economic downturns within the markets in which it operates. The Group has taken appropriate steps to minimise disruption, and has cooperated with customers to ensure continuity of their supply chain. The Group continues to monitor the progress of the British Government's negotiations with the EU.

A review of the Group's exposure to credit risk, liquidity and currency risk is provided in Note 27.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within this Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 40-43. In addition, notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Board has prepared forecasts for the period to 30 April 2021. These reflect the sales projections for new products coming on stream as a result of the Group's research and development activity and continued cost management. The Group meets its cash flow and borrowing requirements through a bank loan as detailed in Note 20. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board is confident that continued focus on research and development, new product development and sales & marketing will deliver growth. The Board considers that the Group will have adequate cash resources within its existing facilities to continue to trade for the foreseeable future and therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Chief Financial Officer's Report

Revenue and Profits

Group revenue for the year was £174 million, an increase of 20% over 2018, achieved through approximately 5% organic growth and from contributions of £1.3 million from businesses acquired in the year.

Gross profit increased to £11.5m (2018: £9.5m) with increased gross margin at 66.1% (2018: 65.8%).

Operating profit for the year was £2,198,000 (2018: £1,776,000), and Adjusted Operating Profit (AOP) was £3,102,000 (2018: £2,346,000) before reorganisation costs, acquisition costs, share-based payments and amortisation of acquired intangibles, an increase of 32%. Organic sales growth was the main driver of profit growth, although all of our newly-acquired businesses contributed positively to AOP in the period. We have selectively invested in head office and in our fastest growing businesses, and we expect further investment over time to underpin future growth.

Financing expense was £77,000 (2018: £63,000), reflecting increased usage of our loan facility to fund the acquisitions, further described below.

Investment in R&D

Under IFRS we are required to capitalise certain development expenditure and in the year ended 30 April 2019 £585,000 (2018: £606,000) of cost was capitalised and added to the balance sheet. This expenditure represents the Group's investment in new product development. Amortisation and write-offs for 2019 were £591,000 (2018: £528,000). The carrying value of the capitalised development at 30 April 2019 was £1,180,000 (2018: £1,186,000) to be amortised between 3-5 years.

Reorganisation Costs

The Board carries out a thorough review of the operations and cost structure of the Group and this gave rise to £124,000 (2018: £63,000) of reorganisation costs in the year, which should bring benefits in the current year.

Acquisition and Fundraising Costs

£288,000 of costs relate to stamp duty, legal fees, and other advisor remuneration for the acquisitions completed in the year (2018: £165,000). In addition, £190,000 of brokers fees and legal expenses relating to the share placing were booked directly to the share premium account within equity.



Jon Abell
Chief Financial Officer
17 July 2019

Earnings per Share

Basic earnings per share for Group was 2.10p (2018: 1.81p) and diluted earnings per share for the Group was 2.05p (2018: 1.79p).

Taxation

Taxation for the year was £209,000 (2017: £98,000) arising through improved profitability, but impacted favourably by a reduction in deferred tax liabilities in view of the enacted future tax rate of 17% in England and Wales and by the recognition of the tax benefit (current and deferred) on exercise of share options.

Accounting Standards

In the year beginning 1 May 2019, we will implement IFRS 16, which requires us to capitalise assets held under operating leases, such as the Group's building leases. The effects on the consolidated income statement are minor, but the change will have the effect of increasing both fixed assets and debt by about £2.2 million from 1 May 2019. The change will not impact our banking covenants.

Cash Flow and Working Capital

During the year the Group generated cash from operations of £3,620,000 (2018: £2,830,000). Despite the organic growth, our businesses slightly reduced their investment in working capital compared with last year (or compared with the date of acquisition for new entities). Taxes paid increased from £198,000 to £319,000.

Our investment in fixed assets increased to £419,000 (2018: £184,000) with notable investment in our Sentek business to fit out an additional industrial unit and in our newly-acquired Graticules Optics business to separate it from its former parent.

Capitalised Research and Development at £585,000 (2018: £606,000) was broadly equal to amortisation.

However, our biggest investments were in the acquisition of new businesses, and we deployed £6,668,000 of funds to that end in the year (2018: £1,341,000). All of these investments will lead to further growth in the coming years.

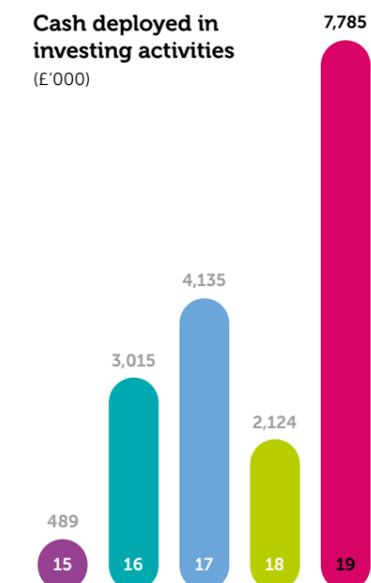
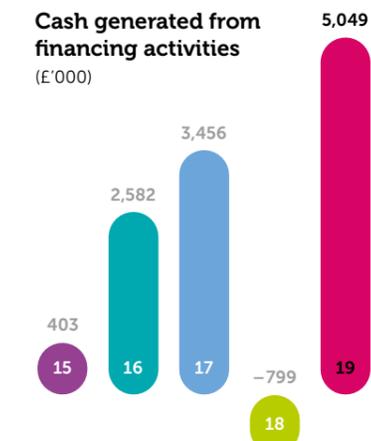
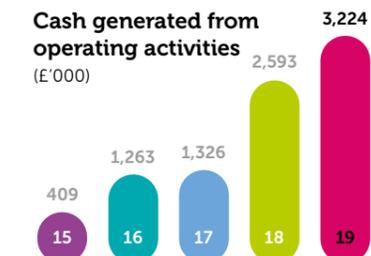
Funding

Our acquisitions were financed by a combination of our own cash flow, an increase in our use of our borrowing facility, and by a placing of new shares.

Our HSBC loan facility was opened in April 2018, and was initially committed for 3 years and for £3 million. In January 2019, we extended both the term (to 5 years) and the amount committed (to £5 million). During the year, our actual borrowing under the facility increased from £1,370,000 at April 2018 to a maximum of £4,970,000, and we closed the year with £4,000,000 borrowed.

In conjunction with the acquisition of the assets of Graticules Optics in February 2019, we conducted a fundraising with the issue of 7.6 million shares, or about 8.1% of the prior share capital. The shares were placed at a discount of 7.5% to the prevailing share price. We were pleased to see a solid participation by our existing larger shareholders, and we also reserved a quota of £100,000 of the new shares for retail shareholders on the Primary Bid platform. The placing was substantially oversubscribed, and we extend a warm welcome to new shareholders on the register. Gross proceeds from the placing were £2,574,000.

We closed the year with a cash balance of £2,494,000 (2018: £2,007,000), and net debt (debt, including £100,000 of finance lease debt, less cash) of £1,606,000 (2018: net cash of £435,000). There is no deferred or contingent consideration outstanding for any of our acquisitions.



Board of Directors



Ken Ford Chairman

Ken joined the Board in 2010, and became Chairman in 2012. He was previously Chief Executive of Teather & Greenwood, the investment bank, and brings over 36 years of City experience to the Company, including a strong understanding of shareholder value, strategic planning and corporate transactions. His previous roles include Aberdeen Asset Management, Morgan Grenfell and Wedd Durlacher. Ken is currently Chairman of AIM-listed Gear4music. He is a Fellow of the Chartered Securities Institute.



Mike Creedon Chief Executive Officer

Mike joined the Board in 2010 as Finance Director, and was appointed CEO in 2012, maintaining also the Finance Director role until July 2018. A Chartered Certified Accountant with an MBA from Henley Management College, Mike brings to SDI considerable experience of working within quoted companies and technology businesses, and fundraising, mergers and acquisitions. In particular, he has recent experience of AIM-listed technology companies.

Previous Finance Director posts include Ninth Floor plc and Ideal Shopping Direct plc.



Jon Abell Chief Financial Officer

Jon joined the Board in July 2018 and has over 35 years of business experience. Prior to joining SDI he was Divisional VP of Finance, Electronic Instruments Group at Ametek, Inc. where his principal duties include performance management, M&A, business controls and accounting for several scientific and industrial instrument businesses.

Jon started his career with industrial companies in the UK and in Italy, before obtaining his MBA at Columbia Business School in New York. He subsequently went on to senior financial management roles in Germany, the Netherlands, USA and UK including at Philips Electronics and Broadcom Inc.



Isabel Napper Non-Executive Chair of the Remuneration Committee

Isabel joined the Board in February 2017 and has more than 25 years' experience in advising clients in the technology and healthcare/life science areas, both public and private sector, leading on business development and managing regulatory issues, governance risk and strategic change. Isabel was previously a Partner at the law firm Mills & Reeve where she acted as legal adviser and company secretary to a number of boards. Her extensive business development and marketing skills are invaluable to the Board.



David Tilston Non-Executive Chair of the Audit Committee

David joined the Board in July 2017. He has over 30 years' experience in finance functions within public companies, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Most recently, David held the role of Interim Group CFO of Northgate plc, and before that Interim Group CFO at Consort Medical plc. Previously, David held senior finance roles at Innovia Group, Mouchel Group plc, Findel plc, SABMiller plc and SThree plc. He has 8 years experience as Audit Committee chairman at two companies.

Corporate Governance Statement

Chairman's Introduction

As Chairman I am responsible for the leadership of the board and for ensuring the board's effectiveness. I also have the responsibility for conducting board meetings and making sure that there is effective and timely communication to our shareholders. In my role as chair I also provide advice, counsel and support to the executive.

The 2018 QCA Corporate Governance Code

The new AIM Rule 26 introduced during the year requires the Group to follow a recognised corporate code of governance. The Board, after due consideration, has agreed to follow the 2018 QCA Corporate Governance Code after concluding that it was the one best suited to SDI's business, aims and ambitions. The Board believes that the Group complies with the Code, but is committed to continuously improving its governance over time.

Here we explain how we implement the 10 principles of the QCA Corporate Governance Code in practice.

| Principle | Commentary | Further Information |
|--|--|--|
| 1 A strategy and business model which promotes long-term value for shareholders. | The Board has a shared view of SDI's purpose, business model and strategy. Our vision is to develop our existing technologies and to grow through strategic acquisitions. We believe that acquiring companies which complement the capabilities within SDI will promote organic growth and give us the opportunity to explore challenges and new markets within the fast-evolving science and technology sectors. | The Strategy section of this Annual Report and our website. |
| 2 Understanding and meeting shareholder needs and expectations. | Responsibility for shareholder liaison rests principally with our CEO supported by our CFO. However, all our Board members attach a high degree of importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. The Board holds meetings with institutional investors and other large shareholders following the release of the interim and financial results. We regard our Annual General Meeting as a good opportunity to engage directly with shareholders through a question and answer session. We provide the market and shareholders with the results of AGM and GM voting via RNS and other communication channels including this website. SDI also participates from time to time in investor shows offering smaller and private investors insight into our business and also access to our management team. | Details of all shareholder communications are provided on our website. |
| 3 Taking account of wider stakeholder and social responsibilities and their implications for long-term success. | SDI's vision involves encouraging our subsidiary businesses to work together to help advance medical and scientific knowledge, increase the technical capabilities of industry and ultimately improve the standard of living of the population as a whole. As well as that overarching purpose, the Board recognises that long-term business success relies on good relations with a range of different stakeholder groups both internal and external such as staff, suppliers and customers. We also seek to understand the impact our business activities have on the communities in which we operate and consider our corporate social responsibilities and how these issues are integrated in to our long-term strategy. We encourage feedback from all our stakeholders and where appropriate use that feedback to shape our future direction e.g new methods or product offerings. | |

Corporate Governance Statement continued

| Principle | Commentary | Further Information |
|--|--|---|
| 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation. | <p>We have addressed the principal risks we face by the appointment of an experienced executive board supported by experienced non-executive directors and a team of appropriately qualified professional advisers.</p> <p>Our executive directors are closely involved in the day to day operations of the Group and of our operating subsidiaries and report to the board in detail at regular intervals. Relevant papers are distributed to members of the board in advance of board and committee meetings. Detailed financial reports of the Group's financial performance are also provided on a regular basis.</p> <p>Our directors' knowledge and understanding of the Group is further enhanced by on-site visits to operational units; directors also receive presentations from senior management on the performance and strategies of their business units.</p> <p>Directors also have the contractual right to take independent professional advice on any matter – at SDI's expense – if they deem it necessary in order to carry out their responsibilities.</p> | The Principal Risks and Uncertainties section of this Annual Report sets out some of the principal risks and uncertainties faced by the Group. |
| 5 Maintaining the board as a well-functioning, balanced team led by the chair. | <p>Our board consists of three executive directors (Chairman, CEO and CFO) together with two non-executive directors. We believe this to be a good balance for a business of our size. Due to their working backgrounds and professional experience the non-executive directors provide a solid foundation for good corporate governance for the Group. They are also independent of management and ensure that no individual or group dominates the board's decision-making process.</p> <p>To ensure the board functions well, our non-executive directors are requested to attend eleven board and board committee meetings per year. They are also required to be available at other times between meetings when necessary for face-to-face and phone/web meetings. We also hold an annual strategy meeting at which directors' attendance is mandatory. Each non-executive director continues to demonstrate that they have sufficient time to devote to our business.</p> <p>To support the board we have put in place Audit, Remuneration and Nomination Committees all of which have agreed formal terms of reference.</p> | <p>Biographies of the Directors are presented on page 20 in this Annual Report and on our website.</p> <p>Reports of the Board committees are also presented on pages 26-27 in this Report.</p> |
| 6 Ensuring the directors have the necessary up-to-date experience skills and capabilities. | <p>Our directors have been chosen because of the skills and experience they offer. Of our five directors one is female and four are male. All have listed company experience and one was the CEO of an investment bank, three are accountants, one a lawyer.</p> <p>Our directors attend industry and regulatory learning and networking events in order to keep up to date with relevant developments.</p> | Biographies of the Directors are presented on page 20 in this Annual Report and on our website. |
| 7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement. | <p>We undertake annual monitoring of personal and corporate performance. The responsibility for assessing and monitoring the performance of the executive directors lies with the independent non-executive directors.</p> <p>Agreed personal objectives and targets are set each year for the executive directors and performance measured against these metrics.</p> | |

| Principle | Commentary | Further Information |
|--|---|---|
| 7 ...continued. | <p>Going forward we intend to institute a more formal board evaluation process which will be carried out in the current financial year (to April 2020). The process will be led by our Chair and will require directors to answer a set of questions setting out their views on the effectiveness of the Board and on the value of their board contributions. The results of that assessment process will be used by the Chair to facilitate discussions with each individual director and with the Board as a whole. It is intended that the questions will be based around issues arising from the ten principles of the QCA Code.</p> | |
| 8 Promote a corporate culture that is based on ethical values and behaviours. | <p>We believe it is the responsibility of the Board and senior leaders to ensure that the culture of our organisation is based on ethical values and behaviours. As well as leading by example, our ethics-based culture is promoted through our business behaviours, decisions, processes and operations, as well as the management of the risk of ethical misconduct.</p> <p>In addition, we have mechanisms to support high ethical standards – e.g for raising concerns and reporting misconduct. We also aim to include ethical criteria in recruitment and in performance appraisals, and have detailed policies relating to important issues such as discrimination, harassment, bribery and corruption, and conflicts of interest. We expect all our staff to adhere to these high standards.</p> <p>We are keen to invest in our people not just our companies. With that in mind we seek to make our workplaces a better environment and to encourage all our staff to undergo relevant training and development.</p> | |
| 9 Maintain governance structures and processes that are fit for purpose and support good decision making by the board. | <p>Our non-executive directors scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance.</p> <p>The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk.</p> <p>To achieve this aim the Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements.</p> <p>Other responsibilities are delegated to the Board Committees, being the Audit, Remuneration and Nomination committees, which as explained in section 5 above operate within clearly defined terms of reference, and which report back to the Board.</p> | Reports of the Board committees are also presented on pages 26-27 in this Report. |
| 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders. | <p>We have set out in section 2 above how we maintain a regular dialogue with our shareholders including welcoming all shareholders to our AGMs.</p> | Further information and the resolutions put to a vote at annual general meetings can be found on our website. |

Corporate Governance Statement continued

The Board

The Board comprises the Chairman, two Executive Directors (one until 2 July 2018) and two Non-Executive Directors. The Non-Executive Directors are considered to be independent, provide a solid foundation for good corporate governance for the Group, and ensure that no individual or group dominates the Board's decision making process. The Non-Executive Directors are independent of management. Each Non-Executive Director continues to demonstrate that they have sufficient time to devote to the Company's business and attendance at Board and Committee meetings is summarised later in this report.

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

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

The Board is collectively responsible for the performance of the Group and is responsible to shareholders for proper management of the Group. A statement of Directors' responsibilities is given on page 29 and a statement on going concern is given on page 17.

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

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

Board Committees

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

Audit Committee

The Audit Committee, which is chaired by D Tilston and has I Napper as the other member, meets not less than twice annually and more frequently if required.

The Board considers that both members of the Audit Committee have recent and relevant financial experience and an understanding of accounting and financial issues relevant to the industries in which Scientific Digital Imaging operates. The Committee provides a forum for reporting by the Group's external auditors. Where appropriate meetings are also attended by the Chairman and executives at the invitation of the Committee.

A report of the Audit Committee is provided on page 26.

Remuneration Committee

A report of the Remuneration Committee and the Directors' remuneration report can be found on pages 27-28.

Nomination Committee

This Committee is chaired by I Napper and has D Tilston as its other member and meets at least once per annum. Where appropriate meetings are also attended by the Chairman and the CEO at the invitation of the Committee.

The Nomination Committee focusses on evaluating the board of directors, examining the skills and characteristics which are needed in board candidates, and on succession issues. Its principle focus during the last financial year was on the identification and recruitment of Jon Abell as Group CFO following a thorough search facilitated by an external recruitment company.

Attendance at Board and Committee Meetings

The Directors' attendance at Board and Committee meetings during the year is disclosed in the table below.

| | Board | Audit | Remuneration | Nomination |
|-----------|-------|-------|--------------|------------|
| K Ford | 11/11 | 3/3 | - | -/- |
| M Creedon | 11/11 | - | - | - |
| I Napper | 11/11 | 4/4 | 3/3 | -/- |
| D Tilston | 11/11 | 4/4 | 3/3 | -/- |
| J Abell | 9/9 | - | - | - |

Jon Abell was appointed to the Board on 2 July 2018. Ken Ford stepped down from the Audit and Nomination Committees in December 2018.

Report of the Audit Committee

I am pleased to present the Audit Committee report for the year ended 30 April 2019.

Composition of the Committee

The Committee consists of myself (as Chairman) and Isabel Napper. The Chairman and Executive Directors may be invited to attend Committee meetings if required. During the year, the Committee met four times, to approve the audit plan, review the audit conclusions and interim findings and to consider other matters delegated to the Committee. The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a Chartered Accountant, I have served as Group Finance Director in several quoted companies and have prior experience as an Audit Committee Chairman. I report the Committee's activities at Board meetings and the minutes of each meeting are made available to all members of the Board. The Audit Committee has satisfactorily completed a self-assessment exercise on its effectiveness using externally sourced material.

Responsibilities

The main duties of the Audit Committee are set out in its Terms of Reference, which are available on the Company's website.

The Committee's main duties are to:

- ensure the integrity of the financial statements (including annual and interim accounts and results announcements);
- review significant financial reporting judgements and the application of accounting policies thereon;
- ensure the Annual Report and Accounts are fair, balanced and understandable and recommend their approval to the Board;
- manage the relationship with the Group's external Auditor and review their suitability and independence;
- negotiate and approve the external Auditor's fee, the scope of their audit and terms of engagement;
- advise on the appointment of external Auditors and to review and monitor the extent of the non-audit services undertaken by the Group's external Auditor;
- review of the risk management and internal control systems;
- review the assessment of going concern; and
- assess the need for an internal audit function.

Role of the External Auditor

The Audit Committee monitors the relationship with the external Auditor, Grant Thornton UK LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee has established a policy in respect of the provision of non-audit services by the external Auditor which it monitors. No issues impacting upon the Auditor's independence were observed or brought to the Committee's attention.

Audit Process

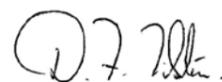
The external Auditor prepares an audit plan for its audit of the full year financial statements. The audit plan sets out the scope of the audit, specific areas of risk to target and the audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following completion of audit fieldwork the Auditor presented their findings to the Audit Committee for discussion, including accounting judgements undertaken in respect of various matters including acquisition accounting and research and development capitalisation.

Internal Audit

At present the Group does not have a formal internal audit function and the Committee will keep this matter under review as the Group's activities expand.

Risk Management and Internal Controls

The Corporate Governance Statement on pages 21-25 explains the measures taken to embed effective risk management throughout the Group which is dependent upon the close involvement of the executive directors in the day-to-day operations of the Group, the strength of subsidiary management teams and reporting from the operating subsidiaries. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year the Committee has reviewed the framework and determined that it is appropriate for the Group's current scale of operations. The Audit Committee also completed a review to ensure it could confirm its compliance with the QCA Corporate Governance Code.



David Tilston
Audit Committee Chairman
17 July 2019

Report of the Remuneration Committee

Remuneration Committee

I am pleased to present the report of the Remuneration Committee for the year ended 30 April 2019.

The Committee is chaired by myself and has Ken Ford and David Tilston as its other members. Other regular attendees include the CEO and the CFO.

The Committee meets at least two times per year and determines the Group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the Group's remuneration policy, the Committee considers a number of factors including the following:

- Salaries and benefits available to executive directors of comparable companies;
- The need to both attract and retain executives of appropriate calibre; and
- The continued commitment of executives to the Group's development through appropriate incentive schemes (including the award of shares and share options).

Remuneration of Executive Directors

Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive. The remuneration packages cover the following elements:

- Base salary: the Remuneration Committee sets base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- Bonus Scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration Committee;
- Retention bonus: the executive directors are eligible to receive a retention bonus awarded during the year under the terms of a long-term incentive scheme as determined by the Remuneration Committee;
- Equity: share options; and
- Company contribution into a personal pension scheme, life assurance, and private medical insurance.

The executive directors are engaged under separate contracts which require a notice period of six months given at any time by the Company or the individual.

During 2018 the Committee looked at how the provision of long-term performance incentives to executive directors could support the realisation of the Group's growth strategy going forward and the policy factors referred to above. Detailed consideration was given to various alternatives and independent advice was taken from BDO LLP on LTIP performance issues and design of the incentive scheme. Soundings were also taken from a number of major shareholders of the Group.

The Committee believe that the LTIP scheme plan recommended to and subsequently adopted by the Board in December 2018 is a fair reward for, and a reflection of, the Group's executive directors' significant responsibility for growth whilst at the same time encouraging appropriate corporate behaviour.

The LTIP awards granted in 2018 have a three-year vesting period and are made in respect of the CEO, M Creedon and Group CFO, J Abell. The Group Chairman, K Ford, was also included in the award as a reflection of the significant amount of time and experience he provides to the Group in relation to acquisitions and other important strategy issues.

The details of the LTIP are set out in the Remuneration Report.

Remuneration of Non-Executive Directors

The fees and equity paid to the Chairman and to non-executive directors are determined by the Board. The Chairman and non-executive directors do not receive any other forms of benefits such as health cover or pension. The notice periods of the Chairman and the non-executive directors are three months.



Isabel Napper
Chairman, Remuneration Committee
17 July 2019

Directors' Remuneration Report

Statement About Basis of Preparation

SDI has produced this report, read in conjunction with the Report of the Remuneration Committee, to comply with AIM rule 19.

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

| | Salary /Fees £'000 | Bonus £'000 | Taxable Benefits £'000 | Pension £'000 | 2019 Total £'000 | 2018 Total £'000 |
|-----------|-----------------------|----------------|---------------------------|------------------|---------------------|---------------------|
| K Ford | 48 | - | - | - | 48 | 43 |
| M Creedon | 146 | 50 | 1 | 7 | 204 | 175 |
| I Napper | 27 | - | - | - | 27 | 24 |
| D Tilston | 27 | - | - | - | 27 | 19 |
| J Abell | 100 | - | 1 | 4 | 105 | - |
| A Simon | - | - | - | - | - | 10 |
| | 348 | 50 | 2 | 11 | 411 | 271 |

Directors' beneficial interests

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

| | 2019 Number | 2018 Number |
|-----------|-------------|-------------|
| K Ford | 1,450,000 | 1,350,000 |
| M Creedon | 311,924 | 146,924 |
| I Napper | 35,472 | - |
| D Tilston | 90,000 | 70,000 |
| J Abell | 59,608 | - |

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

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

| | 2019 Number | 2018 Number |
|-----------|-------------|-------------|
| K Ford | 715,217 | 500,000 |
| M Creedon | 1,872,173 | 1,385,000 |
| I Napper | 250,000 | 250,000 |
| D Tilston | 250,000 | 250,000 |
| J Abell | 1,021,739 | - |

Service contracts

The service contracts with M Creedon dated 25 April 2010 and with J Abell dated 4 April 2018 include a notice period of six months if given by either party.

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

Long-Term Incentive Plan ("LTIP")

This LTIP was introduced in December 2018 to provide an effective mechanism for senior executives to participate in the company's equity, aligning their interests with those of the shareholders. The LTIP scheme overall has a duration of ten years and provides for a maximum of 10% of the company's equity to be granted to executives in that period, subject to performance conditions which are set for each award.

An award was made on 21 December 2018 with performance conditions based for 50% on the growth in fully-diluted Earnings Per Share in the three years starting 1 May 2018 and for 50% on the total shareholder return for SDI shareholders compared with a basket of twenty comparable companies. Subject to the rules of the LTIP, vesting is on the third anniversary of the date of grant, to the extent that the performance conditions are met. The directors participating in the scheme at the date of this report and their maximum respective entitlement under the scheme to equity in Scientific Digital Imaging plc are as follows:

| | |
|-----------|-------|
| M Creedon | 0.67% |
| J Abell | 0.54% |
| K Ford | 0.22% |

BDO LLP was employed to draft the LTIP under the supervision of the Remuneration Committee.

The market price of the company's shares at the end of the financial year was 54.5p and ranged from 28.6p to 54.5p during the year.

Directors' Report

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report comprising Strategic Report, Governance Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare separate parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS101 Reduced Disclosure Framework). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the company and the Group for that period. In preparing these financial statements, the Directors are required to:

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

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

The Directors confirm that:

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

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

Group Results

The Group profit for the year after taxation amounted to £1,912k (2018: £1,615k) and has been transferred to reserves.

The Board does not recommend the payment of a dividend.

Directors

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

K Ford

M Creedon

I Napper

D Tilston

J Abell (appointed to the Board on 2 July 2018)

The interests of the Directors and their families in the share capital of the Company are shown in the Remuneration Report on page 28.

The appointment and replacement of Directors of the Company is governed by its Articles of Association and the Companies Act 2006. The Articles of Association may be amended by special resolution of the shareholders.

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

Directors' Report continued

Power of Directors

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

At the Annual General Meeting held on 25 September 2018, the Directors were given the power to:

- Arrange for the Company to purchase its own shares in the market up to a limit of 15% of its issued share capital;
- Allot ordinary shares up to an aggregate nominal value of £299,000;
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £44,800.

Similar powers will form part of the resolutions to be put to the forthcoming AGM to be held on 25 September 2019.

Structure of Share Capital

As at 30 April 2019 the Company's authorised share capital was £10,000,000 comprising 1,000,000,000 ordinary shares of 1p each.

As at 30 April 2019 the Company had 97,203,951 (2018: 89,633,424) ordinary shares in issue with a nominal value of 1p each.

Financial Risk Management Objectives and Policies

Financial risk management objectives and policies are discussed in Note 27 'Financial risk management objectives and policies'.

Employee Involvement

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

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

Health and Safety Policies

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

Substantial Shareholdings

As at 17 July 2019 the Company is aware of the following shareholders who hold an interest of 3% or more in the Company's ordinary share capital.

| | Number of ordinary shares | Percentage of share capital |
|--|---------------------------|-----------------------------|
| Business Growth Fund | 9,765,731 | 10.05% |
| Berenberg Wealth and Asset Management | 9,651,726 | 9.93% |
| Herald Investment Management | 8,178,149 | 8.41% |
| Octopus Investments | 3,719,640 | 3.83% |
| Hargreaves Lansdown | 3,629,335 | 3.73% |
| Dana Investments BV | 3,496,494 | 3.60% |
| Killik stockbrokers | 3,463,534 | 3.56% |
| Charles Stanley | 3,123,307 | 3.21% |

Auditor

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

On behalf of the Board



Ken Ford
Chairman
17 July 2019



Mike Creedon
Chief Executive Officer
17 July 2019

Report of the Independent Auditor

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Scientific Digital Imaging plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2019, which comprise the consolidated income statement and statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, company balance sheet, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report of the Independent Auditor continued

Overview of our Audit Approach

- Overall materiality: £174,000, which represents 1% of the Group's revenue;
- Key audit matters were identified as:
 - the risk that revenue includes fraudulent transactions;
 - carrying value of capitalised development costs and goodwill;
 - valuation of intangible assets on recognition of the acquired businesses.
- We performed full scope procedures at Scientific Digital Imaging Plc, Synoptics Limited, Atik Cameras Limited, Sentek Limited, Astles Control Systems Limited, Applied Thermal Control Limited, Fistream International Limited, Thermal Exchange Limited and Graticules Optics Limited.
- We performed targeted procedures on Synoptics Inc, Perseu Comercio De Equipamento Para Informatica E Astronomica SA, and MPB Industries Limited; and analytical procedures were performed on Opus Instruments Limited.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter – Group | How the matter was addressed in the audit – Group |
|--|--|
| <p>The risk that revenue includes fraudulent transactions</p> <p>Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud.</p> | <p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> ● assessing whether revenue recognition policies were compliant with relevant accounting standards; ● analytical procedures over revenue to identify and analyse key movements and significant transactions which have occurred in the year; ● performing a test of operating effectiveness of key controls at entities in the Group where this was possible achieved through observation of the three-way match performed between purchase order, delivery document and sales invoice; ● substantively testing a sample of revenue transactions in respect of sale of goods and agreeing them to a cash receipt or proof of delivery to vouch that the sale did occur; ● testing a sample of revenue transactions in respect of contract income for services by obtaining purchase orders and supporting documentation, recalculating the revenue recognised, and verifying the appropriateness of any deferred or accrued income at year end; ● agreeing a sample of transactions around the year end to supporting documentation to ensure cut off has been correctly applied; ● identifying revenue journals that were posted in the year, and verifying that these have commercial rationale as most of the Group would not be expected to include revenue journals; and ● assessing management's paper on the implications of IFRS 15 and also considering whether the recognition of revenue tested was compliant with IFRS 15. <p>The Group's accounting policy on revenue is shown in note 3 to the financial statements and related disclosures are included in note 6.</p> |
| <p>The Group has recognised revenues of £14.5m (2017: £10.7m) in the year, which is comprised of revenues from sales of goods, contract income and services. The nature of the Group's revenue involves the processing of numerous transactions, with each stream possessing different revenue recognition criteria.</p> | <p>Key observations</p> <p>Our testing did not identify any material misstatements in the revenue recognised during the year or any instances of revenue not being recognised in accordance with stated accounting policies and IFRSs.</p> |

As the Group's revenue is material to the financial statements, comprises various streams and is subject to different recognition policies, the presumed risk of improper recognition of revenue due to fraud has been identified as a significant risk, which was one of the most significant assessed risks of material misstatement.

Report of the Independent Auditor continued

| Key audit matter – Group | How the matter was addressed in the audit – Group |
|---|--|
| <p>Carrying value of capitalised development costs and goodwill</p> <p>The carrying value of goodwill at the year end amounted to £8.4m (2018: £5.4m).</p> | <p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> ensuring the amortisation policy relating to capitalised development costs was consistent with prior year and assessing the adequacy of the useful economic life; comparing the carrying value of selected development projects against the net present value calculations, produced by management, based on future cash flows; checking the mathematical accuracy of a selection of impairment models for capitalised development costs; testing the accuracy of management's forecasting by comparing the 2019 budgeted sales and gross profit to the results achieved for the year; challenging management on the basis of key assumptions used within the forecasts, such as revenue growth and the discount rate; performing sensitivity analysis of cash flow inputs, including the discount rate applied; discussing and corroborating the ongoing viability and recoverability of development projects with relevant Group personnel by getting an update from management about project progress and looking at sales generated for new products when possible; and comparing the carrying value of goodwill against the net present value calculations, produced by management, based on future cash flows. <p>The Group's accounting policy on the carrying value of capitalised developments and goodwill is shown in note 3 to the financial statements and related disclosures are included in note 11.</p> <p>Key observations Our testing did not identify any material misstatements in the carrying value of the capitalised development costs or goodwill. We are satisfied that the judgements involved in using discounted future cash flows are balanced.</p> |
| <p>The net book value of capitalised development costs at the year end amounted to £1.2m (2018: £1.2m), including amortisation charged in the year on capitalised development costs of £0.59m (2018: £0.57m). These costs are amortised by the Group to ensure the capitalised cost reflects the anticipated benefit of the development project to the Group over time.</p> | |
| <p>In accordance with IAS 36, 'Impairment of Assets', an annual review is required to assess whether goodwill or capitalised development costs may be impaired.</p> | |
| <p>The impairment reviews of development costs are based on identifiable assets for which future revenues and gross margins can be assigned to calculate a value in use based on a discounted cash flow model.</p> | |
| <p>The impairment reviews of goodwill are based on forecasting cash flows relating to cash generating units using a discounted cash flow model.</p> | |
| <p>Due to the inherent uncertainty and key assumptions involved in forecasting and discounting future cash flows, we identified the carrying value of capitalised development costs and goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | |

| Key audit matter – Group | How the matter was addressed in the audit – Group |
|---|--|
| <p>Valuation of intangible assets on recognition of the acquired businesses</p> <p>In the year the Group acquired:</p> <ul style="list-style-type: none"> the trade and assets of Graticules Optics Limited for £3,400k; 100% of the share capital in Fistreem International Limited for £756k; 100% of the share capital in MPB Industries Limited for £1,586k; 100% of the share capital in Thermal Exchange Limited for £997k; and the trade and assets of Ionscope for £49k. <p>The judgements involved used in determining the value of goodwill (£3.0m) and acquired intangible assets (£3.9m) and the allocation between these assets could, if performed inaccurately, lead to a material misstatement.</p> <p>There is significant judgement and complexity involved in the allocation of excess consideration over net assets acquired between separable intangible assets and remaining goodwill. The client used a management expert for the valuation of the largest acquisition (Graticules Optics Limited) and then prepared a valuation model based on the valuation model used by the expert in Graticules Optics Limited for the remaining acquisitions. For the fair value of the intangible assets, this includes assumptions for growth rates, margins, discount rates and attrition rates.</p> <p>Due to the inherent uncertainty and key assumptions involved in determining the accurate allocation between acquired intangible assets and goodwill, we therefore identified the valuation of intangible assets on recognition of the acquired businesses as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> obtaining and assessing the acquisition accounting workpapers for all material acquisitions in the year, which calculated the split between net assets acquired, fair value of acquired intangibles and goodwill to be recognised on consolidation; obtaining the valuations report prepared by management's expert. Where assumptions were sufficiently complex we received assistance from an auditor's expert who checked the mathematical accuracy of the model prepared by management; obtaining the workings prepared by the client for the acquired entities where a management expert was not used, and verified the split of intangibles was correctly calculated and in line with the standard model for measurement provided by the management experts; assessing that the models used for valuation were appropriate to use for the entities acquired; challenging the assumptions used in the valuation models, to ensure they were reasonable and consistent with the knowledge of the acquired entity; and obtaining and inspecting the purchase agreements to verify that the treatment of the acquisitions was in line with IFRS 3 Business Combinations. <p>The Group's accounting policy on the valuation of intangible assets on recognition of the acquired businesses is shown in note 3 to the financial statements and related disclosures are included in note 11.</p> <p>Key observations Our testing did not identify any material misstatements in the carrying valuation of intangible assets on recognition of the acquired businesses. We are satisfied that the judgements involved in determining the split between acquired intangibles and goodwill are reasonable.</p> |
| <p>Due to the inherent uncertainty and key assumptions involved in determining the accurate allocation between acquired intangible assets and goodwill, we therefore identified the valuation of intangible assets on recognition of the acquired businesses as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | |

We did not identify any Key Audit Matters relating to the audit of the financial statements of the parent company.

Report of the Independent Auditor continued

Our Application of Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

| Materiality measure | Group | Parent |
|---|---|--|
| Financial statements as a whole | £174,000 which is 1% of the Group's revenue. This benchmark is considered the most appropriate because the Group are strategically looking to increase Group revenues, and the net profit margins in the Group are inconsistent between entities. Materiality for the current year is higher than the level that we determined for the year ended 30 April 2018 to reflect increased trading following both organic and inorganic growth in the Group. | £122,000 which is 70% of the Group materiality measure. This benchmark is considered the most appropriate because basing the parent materiality on assets would exceed Group materiality, so it has been restricted. Materiality for the current year is higher than the level that we determined for the year ended 30 April 2018 to reflect the increased size of the business this year. |
| Performance materiality used to drive the extent of our testing | 70% of financial statement materiality. | 70% of financial statement materiality. |
| Specific materiality | We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions due to the inherent sensitivity of these transactions and related disclosures. | We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions due to inherent sensitivity of these transactions and related disclosures. |
| Communication of misstatements to the audit committee | £8,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. | £6,100 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

An Overview of the Scope of our Audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and included:

- an evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance of each component was determined as a percentage of the Group's total assets, revenues and profit/(loss) before taxation;
- full scope procedures at Scientific Digital Imaging Plc, Synoptics Limited, Atik Cameras Limited, Sentek Limited, Astles Control Systems Limited, Applied Thermal Control Limited, Fistream International Limited, Thermal Exchange Limited and Graticules Optics Limited;
- targeted procedures on Synoptics Inc, Perseu Comercio De Equipamento Para Informatica E Astronomica SA, and MPB Industries Limited;
- analytical procedures on Opus Instruments Limited;
- site visits at a majority of entities to gain an understanding of the processes and controls around the revenue cycle and the implications of the IT environment that might have an impact on the audit approach; and
- work around the acquisition accounting of the four material acquisitions in the year, which introduced a significant risk and key audit matter on the valuation of intangible assets on recognition of the acquired businesses;

The total percentage coverage of full scope and targeted procedures over the Group's revenue was 100%.

The total percentage coverage of full scope and targeted procedures over the Group's total assets was 99%.

Our audit approach in the current year for all financial statement line items, aside from revenue, were consistent in the prior year in that it was substantive in nature. For revenue we were able to place reliance on operating effectiveness of controls at Applied Thermal Controls Limited, Sentek Limited, Synoptics Limited and Astles Control Systems Limited, with the remaining revenue at the other subsidiaries being tested substantively.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report of the Independent Auditor continued

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Grant Thornton UK LLP

Adrian Bennett

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
17 July 2019

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80 Five-Year Summary

IBC Shareholder Information

Financial Statements

Consolidated Income Statement

For the year ended 30 April 2019

| | Note | 2019 Total £'000 | 2018 Total £'000 |
|--|------|------------------------|------------------------|
| Revenue | 6 | 17,427 | 14,496 |
| Cost of sales | | (5,902) | (4,954) |
| Gross profit | | 11,525 | 9,542 |
| Operating expenses | | (9,327) | (7,766) |
| Analysed as: | | | |
| Reorganisation costs | | (124) | (63) |
| Share-based payments | | (136) | (65) |
| Acquisition and fundraising costs | | (288) | (165) |
| Amortisation of acquired intangible assets | | (356) | (277) |
| Other operating costs | | (8,423) | (7,196) |
| Operating expenses | | (9,327) | (7,766) |
| Operating profit | | 2,198 | 1,776 |
| Net financing expenses | 9 | (77) | (63) |
| Profit before tax | 7 | 2,121 | 1,713 |
| Income tax | 10 | (209) | (98) |
| Profit for the year | | 1,912 | 1,615 |
| Earnings per share | | | |
| Basic earnings per share | 23 | 2.10p | 1.81p |
| Diluted earnings per share | 23 | 2.05p | 1.79p |

All activities of the Group are classed as continuing.

The results attributable to business combinations in the year are disclosed in Note 30.

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

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2019

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Profit for the period | 1,912 | 1,615 |
| Other comprehensive income | | |
| Items that will subsequently be reclassified to profit and loss: | | |
| Exchange differences on translating foreign operations | 31 | (30) |
| Total comprehensive income for the period | 1,943 | 1,585 |

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

Consolidated Balance Sheet

For the year ended 30 April 2019

| | Note | 2019 £'000 | 2018 £'000 |
|---|------|---------------|---------------|
| Assets | | | |
| Intangible assets | 11 | 17,194 | 10,727 |
| Property, plant and equipment | 12 | 767 | 431 |
| Deferred tax asset | 13 | 180 | 37 |
| | | 18,141 | 11,195 |
| Current assets | | | |
| Inventories | 14 | 2,576 | 2,090 |
| Trade and other receivables | 15 | 3,340 | 2,221 |
| Cash and cash equivalents | 16 | 2,494 | 2,007 |
| | | 8,410 | 6,318 |
| Total assets | | 26,551 | 17,513 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | 20 | 4,016 | 1,391 |
| Deferred tax liability | 13 | 1,448 | 969 |
| | | 5,464 | 2,360 |
| Current liabilities | | | |
| Trade and other payables | 17 | 3,280 | 2,309 |
| Provisions for warranties | 19 | 11 | 11 |
| Borrowings | 20 | 84 | 29 |
| Current tax payable | | 626 | 244 |
| | | 4,001 | 2,593 |
| Total liabilities | | 9,465 | 4,953 |
| Net assets | | 17,086 | 12,560 |
| Equity | | | |
| Share capital | 22 | 972 | 896 |
| Merger reserve | | 3,030 | 3,030 |
| Share premium account | | 8,696 | 6,390 |
| Own shares held by Employee Benefit Trust | 24 | (17) | (82) |
| Other reserves | | 284 | 148 |
| Foreign exchange reserve | | 140 | 109 |
| Retained earnings | | 3,981 | 2,069 |
| Total equity | | 17,086 | 12,560 |

The financial statements were approved and authorised for issue by the Board of Directors on 17 July 2019.



Mike Creedon
Director



Jon Abell
Director

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

Company registration number: 6385396

Consolidated Statement of Cash Flows

For the year ended 30 April 2019

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|----------------|----------------|
| Operating activities | | | |
| Net Profit for the year | | 1,912 | 1,615 |
| Depreciation | | 231 | 240 |
| Amortisation | | 971 | 836 |
| Finance costs and income | | 77 | 63 |
| (Decrease) increase in warranty provision | | (12) | (8) |
| Release of deferred consideration | | – | – |
| Taxation in the income statement | | 209 | 98 |
| Employee share-based payments | | 136 | 65 |
| Operating cash flows before movement in working capital | | 3,524 | 2,909 |
| Changes in inventories | | 65 | (134) |
| Changes in trade and other receivables | | (415) | (106) |
| Changes in trade and other payables | | 446 | 161 |
| Cash generated from operations | | 3,620 | 2,830 |
| Interest paid | | (77) | (63) |
| Income taxes received/(paid) | | (319) | (198) |
| Cash generated from operating activities | | 3,224 | 2,569 |
| Investing activities | | | |
| Capital expenditure on fixed assets | | (419) | (184) |
| Sale of property, plant and equipment | | 45 | 3 |
| Expenditure on development and other intangibles | | (591) | (620) |
| Acquisition of subsidiaries, net of cash | 30 | (6,668) | (1,341) |
| Deferred consideration paid | | (152) | (1,201) |
| Net cash used in investing activities | | (7,785) | (3,343) |
| Financing activities | | | |
| Finance leases net repayments | | (30) | (33) |
| Proceeds from bank borrowing | | 3,600 | 1,370 |
| Repayment of borrowings | | (970) | (1,111) |
| Issues of shares and proceeds from option exercise | | 2,449 | 200 |
| Net cash from financing | | 5,049 | 426 |
| Net changes in cash and cash equivalents | | 488 | (348) |
| Cash and cash equivalents, beginning of year | | 2,007 | 2,355 |
| Foreign currency movements on cash balances | | (1) | – |
| Cash and cash equivalents, end of year | | 2,494 | 2,007 |

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

Consolidated Statement of Changes in Equity

For the year ended 30 April 2019

| | Share capital £'000 | Merger reserve £'000 | Foreign exchange £'000 | Share premium £'000 | Own shares held by EBT £'000 | Other Reserves £'000 | Retained earnings £'000 | Total £'000 |
|---|------------------------|-------------------------|---------------------------|------------------------|---------------------------------|-------------------------|----------------------------|----------------|
| Balance at 30 April 2017 | 889 | 3,030 | 139 | 6,200 | (85) | 83 | 454 | 10,710 |
| Shares issued | 7 | – | – | 190 | 3 | – | – | 200 |
| Share-based payments | – | – | – | – | – | 65 | – | 65 |
| Transactions with owners | 7 | – | – | 190 | 3 | 65 | – | 265 |
| Profit for the year | – | – | – | – | – | – | 1,615 | 1,615 |
| Foreign exchange on consolidation of subsidiaries | – | – | (30) | – | – | – | – | (30) |
| Total comprehensive income for the period | – | – | (30) | – | – | – | 1,615 | 1,585 |
| Balance at 30 April 2018 | 896 | 3,030 | 109 | 6,390 | (82) | 148 | 2,069 | 12,560 |
| Shares issued | 76 | – | – | 2,306 | 65 | – | – | 2,447 |
| Share-based payments | – | – | – | – | – | 136 | – | 136 |
| Transactions with owners | 76 | – | – | 2,306 | 65 | 136 | – | 2,583 |
| Profit for the year | – | – | – | – | – | – | 1,912 | 1,912 |
| Foreign exchange on consolidation of subsidiaries | – | – | 31 | – | – | – | – | 31 |
| Total comprehensive income for the period | – | – | 31 | – | – | – | 1,912 | 1,943 |
| Balance at 30 April 2019 | 972 | 3,030 | 140 | 8,696 | (17) | 284 | 3,981 | 17,086 |

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

Notes to the Consolidated Financial Statements

For the year ended 30 April 2019

1 Reporting Entity

Scientific Digital Imaging plc, a public limited company, is the Group's ultimate parent. It is registered and domiciled in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in Note 4 to the Company Financial Statements.

2 Basis of Preparation

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

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 40-43. In addition, notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Board has prepared forecasts for the period to 30 April 2021. These reflect the sales projections for new products coming on stream as a result of the Group's research and development activity and continued cost management. The Group meets its cash flow and borrowing requirements through a bank loan as detailed in note 20. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board is confident that continued focus on research and development, new product development and sales & marketing will deliver growth. The Board considers that the Group will have adequate cash resources within its existing facilities to continue to trade for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements.

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.

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

Judgements in applying accounting policies

Intangibles – development costs

The Group is required to capitalise any development costs that meet the criteria as per IAS 38. (See Research and Development accounting policy, page 46). Significant judgements are made in categorising development costs and in establishing whether grounds for capitalisation exist.

Sources of estimation uncertainty

Fair value assessments of business combinations

Following an acquisition, management makes an assessment of the fair value of all assets and liabilities acquired, including intangible assets and goodwill. The valuation process requires a number of estimates to be made. For details of assumptions see note 31.

Carrying value of goodwill and other intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows and a number of assumptions are made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate in order to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 11.

3 Principal Accounting Policies

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2018. The adoption of new accounting standards and interpretations which came into effect, including IFRS 9 and IFRS 15, has not had a material impact on the Group's financial statements in this period of initial application.

Basis of consolidation

Subsidiaries are entities controlled by the Group where control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The subsidiaries transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented.

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

Business combinations

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

Foreign currency

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

For the purpose of presenting the consolidated financial statements the assets and liabilities of the Group's overseas operations are translated using exchange rates prevailing on the balance sheet date. Exchange differences on net assets arising from this policy are recognised in other comprehensive income and accumulated in the foreign exchange reserve; such translation differences are reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

Income and expense items of overseas operations are translated at exchange rates approximating to those ruling when the transactions took place.

Property, plant and equipment

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

The estimated useful lives are as follows:

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

Goodwill

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

Research and development

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

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

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

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

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

Other intangible assets

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

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

| | |
|--|------------|
| Capitalised development costs | 3 years |
| Other intangible assets | 3–15 years |
| Customer relationships and trade marks | 15 years |

Impairment

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

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

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

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

Borrowings

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

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

Equity

Equity comprises the following:

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

Contributions to pension schemes

Defined Contribution Scheme

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

Financial assets

The Group's financial assets comprise trade receivables, other receivables, cash and cash equivalents. Trade and other receivables are recognised and carried at the original invoice amount less a provision for the expected credit loss, where collection of the amount is no longer probable. Management uses historical experience of losses applied to the specific circumstances of the receivable, including trading history with the debtor and period overdue to determine the need for and amount of any provision to cover expected future losses. Uncollectable amounts are written off to the Income Statement when identified.

Financial liabilities

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

Revenue recognition

In accordance with IFRS 15 'Revenues from Contracts with Customers', revenue is measured by reference to the fair value of consideration received or receivable by the Group, excluding value added tax (or similar local sales tax), in exchange for transferring the promised goods or services to the customer. The consideration is allocated to each separate performance obligation that is identified in a sales contract, based on stand-alone selling prices. Sales of instruments and spare parts, and sales of services, such as non-specialised installation, support, training or consultancy, are assessed to be separate performance obligations.

Revenue is recognised when (or as) the Group satisfies the identified performance obligation. For sales of instruments and spare parts, the performance obligation is satisfied at a point in time; for revenue from services, the performance obligation is satisfied over time. As the period of time between payment and performance is less than one year, the Group does not adjust revenue for the effects of financing.

Revenue from sales of instruments and spare parts is recognised at the point at which the customer obtains control of the asset. This is usually on despatch of the instrument but in some cases (depending on the contract with the customer) it is when the customer receives the goods.

Revenue from services is a separate performance obligation and is recognised when the service is performed.

Interest income is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. Dividend income, if any, is recognised when the shareholder's right to receive payment is established.

Leased assets

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

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

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

Contingent consideration

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

Taxation

Income tax expense comprises current and deferred tax.

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

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

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

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

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

Segment reporting

The Group identifies reportable operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Board of Directors.

Provisions

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

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

Employee benefit trust

The employee benefit trust (EBT) 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 EBT are consolidated within these financial statements. Until such time as the Company's own shares held by the trust vest unconditionally in employees, the consideration paid for the shares is deducted in arriving at shareholders' funds.

Share-based payments

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

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

The fair value of the grants is measured using the Black-Scholes model or a Monte Carlo simulation as appropriate, taking into account the terms and conditions upon which the grants were made.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

4 Changes in Accounting Policies

Standards adopted for the first time

IFRS 9 'Financial Instruments' (2014) (effective date 1 January 2018) – the new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Group has adopted the new standard from 1 May 2018; It has not, as permitted by IFRS 9, restated prior period and has not made a prior year adjustment in respect of the carry value of financial assets at 1 May 2018 since the impact of the implementation of IFRS 9 was not significant.

IFRS 15 'Revenues from Contracts with Customers' (effective date 1 January 2018) – this new standard presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under previous IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities.

The Group has adopted the new standard from 1 May 2018; the application of this new standard has not caused a material change to the Group's results.

Standards, amendments and interpretations to existing standards that are not yet effective

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

IFRS 16 'Leases' (effective date 1 January 2019) – this new standard will require the capitalisation of operating leases, such as the Group's building leases, as right of use assets with an offsetting financial liability. The current rental charge will be replaced with a combination of depreciation from the asset and an interest charge from the liability. This is expected to cause a material change to the Consolidated Balance Sheet and a material change to the presentation of amounts within the Consolidated Income Statement. The Group has reviewed the transition options in relation to adopting IFRS 16, and intends to adopt the modified retrospective approach, and will recognise an initial right of use asset amount equal to the lease liability. The Group has performed a detailed review of its leases and concluded that, at 30 April 2019, the right of use asset and offsetting lease liability that would have been recognised in the Consolidated Balance Sheet is £2,172k. In the Consolidated Income Statement for the year ended 30 April 2019, under the new standard the net impact on operating costs of the

reduction in rental charge offset by depreciation on the right-of-use asset would have been a decrease of £28k, increasing operating profit by £28k. After taking into account the additional interest charge on the lease liability, the cumulative impact on the Consolidated Income Statement for the year ended 30 April 2019 would have been a reduction of £41k. Therefore in the year of adoption shareholders will see operating profit increase, but profit after tax will decrease, and earnings per share will also be impacted. Assuming no further changes to the Group's leases, the increase in operating profit will endure, however in future years the interest charge will reduce as the discount unwinds. It is likely that the Group will renew or replace leases as they expire.

Management expects to implement the new standard with effect from 1 May 2019.

Change to segment reporting

Until 30 April 2018, management considered that the Group constituted a single operating segment.

During the year ended 30 April 2019, the Group has started to analyse its operating performance for management reporting purposes into two distinct segments, under the names Digital Imaging and Sensors & Control, and has concluded that it is appropriate to report these as operating segments under IFRS8. These are shown in Note 6.

5 Alternative Performance Measures

The Group uses Adjusted Operating Profit, Adjusted Profit Before Tax and Net Operating Assets as supplemental measures of the Group's profitability and investment in business-related assets, in addition to measures defined under IFRS. The Group considers these useful due to the exclusion of specific items that are considered to hinder comparison of underlying profitability and investments of the Group's segments and businesses, and is aware that shareholders use these measures to evaluate performance over time.

The following table is included to define the term Adjusted Operating Profit:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Operating Profit (as reported) | 2,198 | 1,776 |
| Adjusting items (all costs): | | |
| Reorganisation costs | 124 | 63 |
| Share-based payments | 136 | 65 |
| Acquisition and fundraising costs | 288 | 165 |
| Amortisation of acquired intangible assets | 356 | 277 |
| Total adjusting items | 904 | 570 |
| Adjusted Operating Profit | 3,102 | 2,346 |

Adjusted Profit Before Tax is defined as follows:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Profit before tax (as reported) | 2,121 | 1,713 |
| Adjusting items (all costs): | | |
| Reorganisation costs | 124 | 63 |
| Share-based payments | 136 | 65 |
| Acquisition and fundraising costs | 288 | 165 |
| Amortisation of acquired intangible assets | 356 | 277 |
| Total adjusting items | 904 | 570 |
| Adjusted Profit Before Tax | 3,025 | 2,283 |

The following table is included to define the term Net Operating Assets.

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Net assets | 17,086 | 12,560 |
| Deferred tax asset | 180 | 37 |
| Cash and cash equivalents | 2,494 | 2,007 |
| Borrowings (current and non-current) | (4,100) | (1,420) |
| Deferred tax liability | (1,449) | (969) |
| Current tax payable | (626) | (244) |
| Total adjusting items within Net assets | (3,501) | (589) |
| Net Operating Assets | 20,586 | 13,149 |

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

6 Segment Analysis

The Digital Imaging segment incorporates the Synoptics brands Syngene, Synbiosis and Synoptics Health, the Atik brands Atik Cameras, Opus and Quantum Scientific Imaging, and the Fistream, Ionscope and Graticules Optics businesses acquired during the year. These businesses share significant characteristics including customer application, technology, and production location. Revenues derive from the sale of instruments, components for OEM customers' instruments, and from accessories and service.

The Sensors & Control segment combines our Sentek, Astles Control Systems and Applied Thermal Control entities, and the Thermal Exchange and MPB Industries businesses acquired during the year. All of these businesses enable accurate control of scientific and industrial equipment. Their revenues also derive from the sale of instruments, major components for OEM customers' instruments, and from accessories and service.

The Board of Directors reviews operational results of these segments on a monthly basis, and decides on resource allocations to the segments and is considered the Group's chief operational decision maker. Financial information for these segments is available for the year ending 30 April 2018, and is therefore presented below in addition to the information for the current period.

| | 2019 Total £'000 | 2018 Total £'000 |
|---|------------------------|------------------------|
| Revenues | | |
| Digital Imaging | 9,434 | 7,647 |
| Sensors & Control | 7,993 | 6,849 |
| Group | 17,427 | 14,496 |
| Adjusted Operating Profit | | |
| Digital Imaging | 1,954 | 1,041 |
| Sensors & Control | 2,165 | 2,007 |
| Other | (1,017) | (702) |
| Group | 3,102 | 2,346 |
| Amortisation of acquired intangible assets | | |
| Digital Imaging | 50 | 7 |
| Sensors & Control | 306 | 270 |
| Other | – | – |
| Group | 356 | 277 |

Adjusted Operating Profit has been defined in Note 5.

Analysis of amortisation of acquired intangible assets has been included separately as the Group considers it to be an important component of profit which is directly attributable to the reported segments.

The Other category includes costs which cannot be allocated to the other segments, and consists principally of Group HQ costs.

| | 2019 Total £'000 | 2018 Total £'000 |
|--|------------------------|------------------------|
| Operating assets excluding acquired intangible assets | | |
| Digital Imaging | 4,828 | 3,976 |
| Sensors & Control | 3,020 | 1,966 |
| Other | 27 | 20 |
| Group | 7,875 | 5,962 |
| Acquired intangible assets | | |
| Digital Imaging | 5,552 | 1,360 |
| Sensors & Control | 10,451 | 8,148 |
| Other | – | – |
| Group | 16,003 | 9,508 |
| Liabilities | | |
| Digital Imaging | (1,281) | (1,148) |
| Sensors & Control | (1,361) | (845) |
| Other | (649) | (328) |
| Group | (3,291) | (2,321) |
| Net operating assets | | |
| Digital Imaging | 9,099 | 4,188 |
| Sensors & Control | 12,110 | 9,269 |
| Other | (623) | (308) |
| Group | 20,586 | 13,149 |

Net Operating Assets has been defined in Note 5.

The geographical analysis of revenue by destination, analysis of revenue by product or service, and non-current assets by location are set out below:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Revenue by destination of external customer | | |
| United Kingdom (country of domicile) | 6,624 | 4,857 |
| Europe | 3,216 | 3,051 |
| Americas | 2,805 | 2,736 |
| Asia | 4,539 | 3,319 |
| Rest of World | 243 | 533 |
| | 17,427 | 14,496 |

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|---------------|---------------|
| Revenue by product or service | | |
| Instruments and spare parts | 16,867 | 13,964 |
| Service | 560 | 532 |
| | 17,427 | 14,496 |

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|---------------|---------------|
| Non-current assets by location | | |
| United Kingdom | 17,943 | 10,988 |
| Portugal | 106 | 96 |
| America | 92 | 111 |
| | 18,141 | 11,195 |

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

7 Profit Before Taxation

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

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Amortisation and write-down of intangible assets | 971 | 836 |
| Depreciation of property plant and equipment | 234 | 240 |
| Auditor's remuneration Group: | | |
| – Audit of Group accounts | 34 | 26 |
| Fees paid to the auditor and its associates in respect of other services: | | |
| – Audit of Company and of subsidiaries | 82 | 47 |
| – Tax advisory services | – | 5 |
| – Tax compliance services | 14 | 17 |
| – Audit related assurance services | 10 | 12 |
| Currency exchange loss (gains) | 16 | 33 |
| Rental of land and buildings | 176 | 156 |
| Reorganisation costs | 124 | 63 |
| Acquisition and fundraising costs | 288 | 165 |

8 Directors' and Employees' Remuneration

Staff costs during the year were as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Wages and salaries (including reorganisation costs and other termination benefits £124k (2018: £63k)) | 4,905 | 4,106 |
| Social security costs | 441 | 409 |
| Share-based payments | 136 | 65 |
| Other pension costs | 281 | 123 |
| | 5,763 | 4,703 |

The share-based payment charge and reorganisation costs are included in the income statement separately.

Key management for the Group is considered to be the Directors of the Group. Remuneration of Directors is set out in the Directors' remuneration report on page 28.

Pensions

The Group operates defined contributions pension schemes for the benefit of the employees. The assets of the schemes are administered by trustees in funds independent from those of the Group. Total contributions for the Group were £281k (2018: £123k).

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Current pension obligations included in liabilities | 12 | 7 |

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

| | 2019 Number | 2018 Number |
|---------------------|----------------|----------------|
| Administration | 24 | 15 |
| Production | 95 | 80 |
| Product development | 13 | 11 |
| Sales and marketing | 16 | 15 |
| | 148 | 121 |

Share-based employee remuneration

The company has various active option schemes, all of which share similar features, but may be treated differently regarding taxation of the option holder. All schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs. The options can be exercised three years after the share options are granted. Upon vesting, each option allows the holder to purchase one ordinary share. The options lapse if share options remain unexercised after a period of 10 years after the date of grant or if the employee leaves. During the year, 1,750,000 of such options were granted under these schemes, at exercise prices ranging from £0.345 to £0.545. The weighted average remaining contractual life of all outstanding options under these schemes is 8.48 years.

In addition, in December 2018, a Long-Term Incentive Plan (LTIP) was approved by the Board of Directors and 1,389,129 options were granted under this plan to certain Directors. Under the terms of the grant, a proportion of the options will vest after three years, depending on a) the ranking of Total Shareholder Return (TSR) to Group shareholders compared with a basket of twenty comparator companies, and b) the earnings per share growth for the Group over the three year period. The exercise price for these options is 1p each, being the nominal value of SDI shares.

A summary of options outstanding currently is as follows:

| Scheme | Options outstanding at 1 May 2018 | Granted | Lapsed | Exercised | Options outstanding at 30 April 2019 | of which exercisable | Weighted average exercise price |
|------------------------------|--|-----------|---------|-----------|---|-------------------------|---------------------------------------|
| EMI, Approved and Unapproved | 4,229,000 | 1,750,000 | 340,000 | 459,000 | 5,180,000 | 280,000 | £0.299 |
| LTIP | – | 1,389,129 | – | – | 1,389,129 | – | £0.010 |
| Total | 4,229,000 | 3,139,129 | 340,000 | 459,000 | 6,569,129 | 280,000 | £0.238 |

In accordance with IFRS 2, share-based compensation expense is calculated on the issue of share options. For options under the LTIP scheme vesting based on TSR, a Monte Carlo simulation performed by a third party was used to value the compensation expense. For the other options issued during the year, the compensation expense was valued using the Black Scholes model, with the following inputs:

- interest rate 0.75%–0.79%
- volatility 39%–46%
- expected life of option 3 years.

The charge for the year ended 30 April 2019 was £136k (2018: £65k).

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

9 Finance Costs

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Bank loans | 74 | 59 |
| Finance leases and hire purchase contracts | 3 | 4 |
| | 77 | 63 |

10 Taxation

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|---------------|---------------|
| Corporation tax: | | |
| Prior year corporation tax adjustment | 37 | (51) |
| Current tax | 469 | 233 |
| | 506 | 182 |
| Deferred tax (income)/expense | (297) | (84) |
| Income tax charge | 209 | 98 |

Reconciliation of effective tax rate

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | 2,121 | 1,713 |
| Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2018: 19%) | 403 | 325 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 156 | 65 |
| Capital allowances less than / (in excess of) depreciation and amortisation | 7 | (91) |
| Additional deduction for R&D expenditure | (136) | (136) |
| Share scheme deduction | (22) | – |
| Prior year tax adjustments | 37 | (51) |
| Update deferred tax liabilities and assets to enacted future tax rate of 17% | (82) | – |
| Establish deferred tax asset relating to share option exercises | (154) | – |
| Transferred to/(from) tax losses | – | (14) |
| | 209 | 98 |

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

11 Intangible Assets

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

| Cost | Customer relationships £'000 | Other intangibles £'000 | Goodwill £'000 | Development costs £'000 | Total £'000 |
|-------------------------|---------------------------------|----------------------------|-------------------|----------------------------|----------------|
| At 1 May 2018 | 4,241 | 650 | 5,419 | 2,458 | 12,768 |
| Additions | 3,658 | 223 | 2,972 | 585 | 7,438 |
| Fair value adjustment | – | – | – | – | – |
| Disposals/Eliminations | – | (63) | – | (365) | (428) |
| At 30 April 2019 | 7,899 | 810 | 8,391 | 2,678 | 19,778 |

| | | | | | |
|---|--------------|------------|--------------|--------------|---------------|
| Amortisation | | | | | |
| At 1 May 2018 | 389 | 380 | – | 1,272 | 2,041 |
| Fair value adjustment | – | – | – | – | – |
| Amortisation for the year | 330 | 50 | – | 591 | 971 |
| Disposals/Eliminations | – | (63) | – | (365) | (428) |
| At 30 April 2019 | 719 | 367 | – | 1,498 | 2,584 |
| Net book amount at 30 April 2019 | 7,180 | 443 | 8,391 | 1,180 | 17,194 |

| Cost | Customer relationships £'000 | Other intangibles £'000 | Goodwill £'000 | Development costs £'000 | Total £'000 |
|---|---------------------------------|----------------------------|-------------------|----------------------------|----------------|
| At 1 May 2017 | 3,680 | 580 | 4,907 | 2,505 | 11,672 |
| Additions | 561 | 114 | 512 | 606 | 1,793 |
| Fair value adjustments | – | – | – | – | – |
| Disposals/Eliminations | – | (44) | – | (653) | (697) |
| | 4,241 | 650 | 5,419 | 2,458 | 12,768 |
| Amortisation | | | | | |
| At 1 May 2017 | 129 | 376 | – | 1,397 | 1,902 |
| Fair value adjustment | – | – | – | – | – |
| Amortisation for the year | 260 | 48 | – | 528 | 836 |
| Disposals/Eliminations | – | (44) | – | (653) | (697) |
| At 30 April 2018 | 389 | 380 | – | 1,272 | 2,041 |
| Net book amount at 30 April 2018 | 3,852 | 270 | 5,419 | 1,186 | 10,727 |

Capitalised development costs include amounts totalling £674k (2018: 234k) relating to incomplete projects for which amortisation has not yet begun.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

Goodwill relates to various acquisitions, and impairment has been tested for the following cash-generating units:

- **Atik**, consisting of the acquisitions of Artemis CCD Ltd, Perseu Comercio De Equipamento Para Informatica E Astronomica SA, Opus Instruments, and the assets of QSI.
- **Sentek**
- **Astles Control Systems**
- **Applied Thermal Control**
- **Fistreem International**
- **Thermal Exchange**
- **Graticules Optics**
- **MPB Industries**

It is expected that we will, in the future, consider Applied Thermal Control and Thermal Exchange as a single cash generating unit as their merger proceeds, and that, similarly, Fistreem International will be combined into a single cash generating unit with Synoptics.

The individual impairment assessments for the cash generating units were based on value-in-use calculations covering a five year forecast followed by an extrapolation of expected cash flows to perpetuity using a long-term growth rate of 2%. A risk-adjusted, pre-tax discount rate of 12% was used which was judged to be appropriate for each of the entities given that they operate in similar markets and the risk profiles of each CGU are similar. Management's key assumption for all cash generating units and resulting cash flows is to maintain market share in their markets. Management has considered the sensitivity of the key assumptions and concluded that it is unlikely that other reasonable assumptions would result in impairments, given the available headroom.

The average remaining amortisation period of intangible assets excluding Goodwill is 9.4 years (2018: 6.3 years).

12 Property, Plant and Equipment

| | Motor vehicles £'000 | Computer equipment £'000 | Tools and other equipment £'000 | Furniture fixtures & fittings £'000 | Building and leasehold improvements £'000 | Total £'000 |
|--------------------------|-------------------------|-----------------------------|------------------------------------|--|--|----------------|
| Cost | | | | | | |
| At 1 May 2018 | 56 | 124 | 946 | 123 | 141 | 1,390 |
| Additions | – | 108 | 143 | 30 | 138 | 419 |
| Additions on acquisition | 64 | 7 | 93 | 30 | – | 194 |
| FX movement | – | – | 3 | – | – | 3 |
| Disposals | (56) | (8) | (235) | (1) | (6) | (306) |
| At 30 April 2019 | 64 | 231 | 950 | 182 | 273 | 1,700 |
| Depreciation | | | | | | |
| At 1 May 2018 | 51 | 65 | 661 | 100 | 82 | 959 |
| Charge for year | 5 | 34 | 163 | 15 | 14 | 231 |
| FX movement | – | – | 1 | – | – | 1 |
| Disposals | (52) | (8) | (191) | (1) | (6) | (258) |
| At 30 April 2019 | 4 | 91 | 634 | 114 | 90 | 933 |
| Net book value | | | | | | |
| At 30 April 2019 | 60 | 140 | 316 | 68 | 183 | 767 |
| Cost | | | | | | |
| At 1 May 2017 | 56 | 290 | 928 | 139 | 141 | 1,554 |
| Additions | – | 1 | 167 | 16 | – | 184 |
| Additions on acquisition | – | – | 18 | – | – | 18 |
| FX movement | – | – | (18) | – | – | (18) |
| Disposals | – | (167) | (149) | (32) | – | (348) |
| At 30 April 2018 | 56 | 124 | 946 | 123 | 141 | 1,390 |
| Depreciation | | | | | | |
| At 1 May 2017 | 47 | 203 | 630 | 118 | 78 | 1,076 |
| Charge for year | 4 | 29 | 190 | 13 | 4 | 240 |
| FX movement | – | – | (12) | – | – | (12) |
| Disposals | – | (167) | (147) | (31) | – | (345) |
| At 30 April 2018 | 51 | 65 | 661 | 100 | 82 | 959 |
| Net book value | | | | | | |
| At 30 April 2018 | 5 | 59 | 285 | 23 | 59 | 431 |

The net book value of property, plant and equipment includes an amount of £73k held under finance leases and hire purchase contracts, of which £50k for tools and other equipment and £23k for computer equipment (2018: £47k for computer equipment). Depreciation on these assets is £27k, of which £3k for tools and other equipment and £24k for computer equipment (2018: £24k, all relating to computer equipment).

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

13 Deferred Tax

| | 2019 | | 2018 | |
|---|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | Deferred tax asset £'000 | Deferred tax liability £'000 | Deferred tax asset £'000 | Deferred tax liability £'000 |
| Opening | 37 | (969) | 48 | (950) |
| Capitalised R & D | – | (20) | – | (115) |
| Introduce deferred tax on share options | 154 | – | – | – |
| Trading losses recognised | (8) | – | (11) | 5 |
| Other temporary differences | – | 59 | – | 59 |
| Purchased intangible assets | – | 61 | – | 125 |
| Intangibles recognised on business combinations | – | (661) | – | (93) |
| Adjustment to enacted tax rate of 17% | (3) | 82 | – | – |
| At 30 April 2019 | 180 | (1,448) | 37 | (969) |

| | 2019 | | 2018 | |
|---|----------------|--------------------|----------------|--------------------|
| | Asset £'000 | Liability £'000 | Asset £'000 | Liability £'000 |
| Deferred tax on capitalised R & D | – | (204) | – | (204) |
| Other temporary differences | – | 40 | – | 4 |
| Deferred tax on acquisition intangibles | – | (1,284) | – | (769) |
| Deferred tax on share option exercises | 154 | – | – | – |
| Trading losses recognised | 26 | – | 37 | – |
| | 180 | (1,448) | 37 | (969) |

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £308k (2018: £308k) in respect of losses. Total losses (provided and unprovided) totalled £1.8m (2018: £1.8m).

14 Inventories

| | 2019 £'000 | 2018 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 1,943 | 1,600 |
| Work in progress | 229 | 76 |
| Finished goods | 404 | 414 |
| | 2,576 | 2,090 |

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

In the year ended 30 April 2019 a total of £5,902k (2018: £4,954k) of inventories were consumed and charged to the Income Statement as an expense.

15 Trade and Other Receivables

| | 2019 £'000 | 2018 £'000 |
|-------------------|---------------|---------------|
| Trade receivables | 2,963 | 1,946 |
| Other receivables | 157 | 80 |
| Prepayments | 220 | 195 |
| | 3,340 | 2,221 |

All amounts are short-term. All of the receivables have been reviewed for potential credit losses, and expected credit loss has been estimated.

No significant difference in valuation has resulted from the implementation of IFRS 9 compared with the previously-applied IAS 39 standard.

A reconciliation of the movement in the expected credit loss provision for trade receivables is as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Expected credit loss provision as at 1 May 2018 | 9 | 53 |
| Increase/(decrease) in provision | 123 | (44) |
| Provision as at 30 April 2019 | 132 | 9 |

In addition, some of the unimpaired trade receivables are past due at the reporting date. There are no indications that financial assets past due but not impaired are irrecoverable.

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

16 Cash and Cash Equivalents

| | 2019 £'000 | 2018 £'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 2,494 | 2,007 |

17 Trade and Other Payables

| | 2019 £'000 | 2018 £'000 |
|---------------------------------|---------------|---------------|
| Trade payables | 1,632 | 1,011 |
| Social security and other taxes | 300 | 216 |
| Other payables | 151 | 141 |
| Accruals and deferred income | 1,197 | 789 |
| Deferred consideration | – | 152 |
| | 3,280 | 2,309 |

Accruals and deferred income includes an amount of £192k (2018: £139k) in respect of contract liabilities for service revenues recognised over time but invoiced in advance, relating to performance obligations expected to be satisfied within the next 12 months.

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

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

18 Lease Liabilities

The Group's motor fleet, a number of computers, some production equipment and a leasehold property in Portugal are held under finance lease arrangements. The net carrying amount of the assets held under leases is £115k (2018: £47k).

| | Within 1 year £'000 | 1 to 5 years £'000 | Over 5 years £'000 | Total £'000 |
|----------------------|------------------------|-----------------------|-----------------------|----------------|
| 30 April 2019 | | | | |
| Gross lease payments | 88 | 19 | – | 107 |
| Future interest | (4) | (3) | – | (7) |
| Net present values | 84 | 16 | – | 100 |
| 30 April 2018 | | | | |
| Gross lease payments | 39 | 7 | – | 46 |
| Future interest | (4) | – | – | (4) |
| Net present values | 35 | 7 | – | 42 |

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

19 Provision for Warranties

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| As at 1 May 2018 | 11 | 19 |
| Provided for (released) in year (net) | – | (8) |
| Warranty provision as at 30 April 2019 | 11 | 11 |

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

20 Borrowings

Borrowings are repayable as follows:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Within one year | | |
| Bank finance | – | – |
| Finance leases | 84 | 29 |
| | 84 | 29 |
| After one and within five years | | |
| Bank finance | 4,000 | 1,370 |
| Finance leases | 16 | 21 |
| | 4,016 | 1,391 |
| Total borrowings | 4,100 | 1,420 |

Bank finance relates to amounts drawn down under the Group's revolving bank facility with HSBC Bank plc. The facility was extended from £3,000,000 to £5,000,000 and the termination date was extended from 3 April 2021 to 3 April 2023 in December 2018.

21 Reconciliation of Liabilities Arising from Financing Activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

| | Long-term borrowing £'000 | Leases £'000 | Total £'000 |
|--------------------------|---------------------------------|-----------------|----------------|
| 1 May 2018 | 1,370 | 50 | 1,420 |
| Cash-flows: | | | |
| – Repayments | (970) | (66) | (1,036) |
| – New liabilities | 3,600 | 36 | 3,636 |
| Non-cash: | | | |
| – Assumed on acquisition | – | 80 | 80 |
| – Fair value | – | – | – |
| – Reclassification | – | – | – |
| – Adoption IFRS 16 | – | – | – |
| 30 April 2018 | 4,000 | 100 | 4,100 |

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

22 Share Capital

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 1,000,000,000 (2018: 1,000,000,000) Ordinary shares of 1p each | 10,000 | 10,000 |
| Allotted, called up and fully paid 97,203,951 | | |
| (2018 : 89,633,424) Ordinary shares of 1p each | 972 | 896 |

During the year 7,570,527 Ordinary shares of 1p were issued in a share placing associated with the acquisition of Graticules Optics. Gross proceeds were £2,574k and net proceeds after broker and legal fees were £2,384k.

160,528 ordinary shares (2018: 619,528) are held by the Synoptics Employee Benefit Trust and are reserved for providing employee benefits such as satisfying the exercise of share options.

23 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 period. All profit per share calculations relate to continuing operations of the Group.

| | Profit attributable to shareholders £'000 | Weighted average number of shares | Earnings per share amount in pence |
|--|--|--|---|
| Basic earnings per share: | | | |
| – Year ended 30 April 2019 | 1,912 | 91,209,753 | 2.10 |
| – Year ended 30 April 2018 | 1,616 | 89,391,064 | 1.81 |
| Dilutive effect of share options: | | | |
| – Year ended 30 April 2019 | | 2,120,747 | |
| – Year ended 30 April 2018 | | 723,173 | |
| Diluted earnings per share: | | | |
| – Year ended 30 April 2019 | 1,912 | 93,330,500 | 2.05 |
| – Year ended 30 April 2018 | 1,616 | 90,114,237 | 1.79 |

24 Own Shares Held by Employee Benefit Trust

| The Group | 2019 £'000 | 2018 £'000 |
|--------------------------|---------------|---------------|
| Investment in own shares | 17 | 82 |

As at 30 April 2019 the trust held 160,528 shares (30 April 2018 the trust held 619,528 shares) in Scientific Digital Imaging plc.

25 Operating Leases Commitments and Contingent Liabilities

Operating lease commitments

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

| Group | 2019 | | 2018 | |
|----------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and Buildings £'000 | Other £'000 | Land and Buildings £'000 | Other £'000 |
| In one year or less | 379 | 20 | 193 | 17 |
| Between one and five years | 1,059 | 32 | 618 | 7 |
| Over five years | 1,216 | – | 872 | – |
| | 2,654 | 52 | 1,683 | 24 |

Lease payments recognised as an expense during the year amount to £288k (2018: £176k).

Contingent liabilities

Performance guarantees totalling £32k are held by the bank. These would become payable by the Group if, once the customer has placed an order, the Group fails to deliver goods to the customer.

26 Related Party Transactions and Controlling Related Party

The Group's related parties comprise its Board of Directors and shareholders. Transactions with Directors are disclosed within the Directors' Remuneration Report and in note 8.

Unless otherwise stated, none of the transactions incorporated in these financial statements include any special terms or conditions. There is no ultimate controlling party.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

27 Financial Risk Management Objectives and Policies

Financial instruments

The Group uses various financial instruments, including loans and leasing arrangements, and has certain assets and liabilities which are denominated in foreign currencies. The main purpose of the financial instruments is to raise finance for the Group's operations. The existence of these financial instruments and other financial assets and liabilities 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 and long term bank borrowings, and shareholders' equity. The Group has an exposure to interest rate fluctuations on its borrowings which are generally linked to LIBOR at 1 or 3 months. An increase in LIBOR of 1% would result in an increase in interest costs of approximately £40k annually, based on the loan outstanding at 30 April 2019.

Currency risk

A significant proportion of the Group's assets are denoted in Dollars and Euros but only a small amount are within an entity with a differing functional currency. An adverse movement in exchange rates could lead to a devaluation of these assets. As at 30 April 2019 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £28k (2018: £8k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £36k (2018: £15k).

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

| | Assets 2019 £'000 | 2018 £'000 |
|------------|-------------------------|---------------|
| US Dollars | 562 | 429 |
| Euros | 721 | 436 |

In addition an element of the Group's revenue and overhead transactions is completed in a foreign currency.

The Group does not attempt to hedge its exposure using derivative instruments.

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £5,834k (2018: £4,512k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

The principal credit risks lies with trade receivables. In order to manage credit risk credit limits are set for customers based on a combination of payment history and third party credit references. Details of overdue trade receivables are provided in Note 15.

Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations and arises from trade and other payables. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows.

As at 30 April 2019, the Group's financial liabilities have contractual maturities as summarised below:

| | Current | | Non-current | |
|--------------------------------------|-----------------------------|--|-----------------------------------|--------------------------------|
| | Within 6 months £'000 | Between 6 and 12 months £'000 | Between 1 and 5 years £'000 | Later than 5 years £'000 |
| Trade and other payables | 3,280 | – | – | – |
| Borrowings | 44 | 40 | 4,016 | – |
| Deferred or contingent consideration | – | – | – | – |

| | Current | | Non-current | |
|--------------------------------------|-----------------------------|--|-----------------------------------|--------------------------------|
| | Within 6 months £'000 | Between 6 and 12 months £'000 | Between 1 and 5 years £'000 | Later than 5 years £'000 |
| As at 30 April 2018 | | | | |
| Trade and other payables | 2,164 | – | – | – |
| Borrowings | 14 | 15 | 1,391 | – |
| Deferred or contingent consideration | 152 | – | – | – |

The undiscounted liabilities for non-current borrowings would be approximately £440k (2018: £126k) higher than the discounted liabilities, if maintained to their maturity.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

28 Summary of Financial Assets and Liabilities by IFRS 9 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 | Financial assets at amortised cost 2019 £'000 | Non financial assets 2019 £'000 | Financial liabilities at amortised cost 2019 £'000 | Financial liabilities measured at fair value through profit and loss 2019 £'000 | Non financial liabilities 2019 £'000 | Total balance sheet heading 2019 £'000 |
|--|---|---------------------------------------|--|---|--|--|
| Cash and cash equivalents | 2,494 | – | – | – | – | 2,494 |
| Trade and other receivables | 3,120 | 220 | – | – | – | 3,340 |
| Borrowings – current | – | – | (84) | – | – | (84) |
| Borrowings – non current | – | – | (4,016) | – | – | (4,016) |
| Trade and other payables – current | – | – | (2,980) | – | (300) | (3,280) |
| Trade and other payables – non current | – | – | – | – | – | – |
| Total | 5,614 | 220 | (7,080) | – | (300) | (1,546) |

| Balance sheet headings | Financial assets at amortised cost 2018 £'000 | Non financial assets 2018 £'000 | Financial liabilities at amortised cost 2018 £'000 | Financial liabilities measured at fair value through profit and loss 2018 £'000 | Non financial liabilities 2018 £'000 | Total balance sheet heading 2018 £'000 |
|--|---|---------------------------------------|--|---|--|--|
| Cash and cash equivalents | 2,007 | – | – | – | – | 2,007 |
| Trade and other receivables | 2,002 | 219 | – | – | – | 2,221 |
| Borrowings – current | – | – | (29) | – | – | (29) |
| Borrowings – non current | – | – | (1,391) | – | – | (1,391) |
| Trade and other payables – current | – | – | (1,941) | (152) | (216) | (2,309) |
| Trade and other payables – non current | – | – | – | – | – | – |
| Total | 4,009 | 219 | (3,361) | (152) | (216) | 499 |

The fair values of the financial assets and liabilities at 30 April 2019 and 30 April 2018 are not materially different from their book values.

With the adoption of IFRS 9 in the current period, the only change is in classification with financial assets at amortised cost previously being classified as loans and receivables under IAS 39.

29 Capital Management Policies and Procedures

The Group's capital management objectives are:

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

The Group monitors capital by tracking its Debt-to-EBITDA ratio as required by its bank facility covenant.

The Group will keep its dividend policy under review.

30 Fair Value Measurement

Contingent consideration for acquisitions

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Deferred consideration re ATC acquisition – current | – | 152 |
| Deferred consideration re ATC acquisition – non current | – | – |
| | – | 152 |

The deferred consideration payable with respect to the 2018 acquisition of Applied Thermal Controls of £152k was paid in June 2018. No deferred consideration is payable with respect to acquisitions completed in 2019.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

31 Business Combinations

(a) On 24 September 2018, the Company acquired the entire share capital of Fistreem International Limited, a company incorporated in England and Wales, for a consideration payable in cash.

The assets and liabilities acquired were as follows:

| | Book value £'000 | Fair Value adjustment £'000 | Fair Value £'000 |
|--|---------------------|-----------------------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 1 | – | 1 |
| Intangible assets – trade names | – | 33 | 33 |
| Intangible assets – customer relationships | – | 309 | 309 |
| Total non-current assets | 1 | 342 | 343 |
| Current assets | | | |
| Stock | 107 | (50) | 57 |
| Debtors | 35 | (2) | 33 |
| Cash at bank | 12 | – | 12 |
| Liabilities | | | |
| Trade and other payables | (36) | (5) | (41) |
| Corporation tax | (44) | – | (44) |
| Deferred tax liability | – | (57) | (57) |
| Net assets acquired | 75 | 228 | 303 |
| Goodwill | – | 453 | 453 |
| Consideration and cost of investment | | | 756 |
| Fair value of consideration transferred | | | |
| Cash paid in year | | | 756 |
| | | | 756 |

Fistreem International Limited contributed £458k revenue and approximately £84k (after management charges) to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Fistreem International Limited had been completed on the first day of the financial year, the impact on group revenues for the period would have been £272k and the impact on group profit would have been approximately £65k (after management charges).

The goodwill of £453k arising from the acquisition relates to the assembled workforce and to expected future profitability and growth expectations.

The customer relationships intangible asset has been valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards. Key assumptions are the discount rate and attrition rate. Values of 17.5% and 20% were selected. The fair value of stock has been adjusted downwards from its previous book value to account for estimated excess and obsolescence. The deferred tax liability has been calculated on the amortisable intangible assets using the enacted statutory tax rate of 17%.

The last financial year for Fistreem International Limited closed in August 2018. It is expected that the current financial year will be shortened by four months to coincide with the financial year of the Group.

(b) On 1 February 2019, the Company acquired the entire share capital of Thermal Exchange Limited, a company incorporated in England and Wales, for a consideration payable in cash.

The assets and liabilities acquired were as follows:

| | Book value £'000 | Fair value adjustment £'000 | Fair value £'000 |
|--|---------------------|-----------------------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 86 | (6) | 80 |
| Intangible assets – trade names | – | 56 | 56 |
| Intangible assets – customer relationships | – | 338 | 338 |
| Total non-current assets | 86 | 388 | 474 |
| Current assets | | | |
| Stock | 252 | (106) | 146 |
| Debtors | 107 | – | 107 |
| Cash at bank | 55 | – | 55 |
| Liabilities | | | |
| Trade and other payables | (212) | – | (212) |
| Lease commitments | (37) | – | (37) |
| Corporation tax | (82) | – | (82) |
| Deferred tax liability | – | (65) | (65) |
| Net assets acquired | 169 | 217 | 386 |
| Goodwill | – | 611 | 611 |
| Consideration and cost of investment | | | 997 |
| Fair value of consideration transferred | | | |
| Cash paid in year | | | 997 |
| | | | 997 |

Thermal Exchange Limited contributed £243k revenue and approximately £3k (after management charges) to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Thermal Exchange Limited had been completed on the first day of the financial year, the impact on group revenues for the period would have been £1,059k and the impact on group profit would have been approximately £107k (after management charges).

The goodwill of £611k arising from the acquisition primarily relates to the assembled workforce and to expected future profitability and growth expectations.

The last financial year for Thermal Exchange Limited closed in December 2017. The current financial year has been extended by four months to coincide with the financial year of the Group, to 30 April 2019.

The customer relationships intangible asset has been valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards. Key assumptions are the discount rate and attrition rate. Values of 17.5% and 10% were selected. The fair value of stock has been adjusted downwards from its previous book value to account for estimated excess and obsolescence. The deferred tax liability has been calculated on the amortisable intangible assets using the enacted statutory tax rate of 17%.

Notes to the Consolidated Financial Statements continued

For the year ended 30 April 2019

31 Business Combinations continued

(c) On 12 February 2019, a dormant group subsidiary, subsequently renamed Graticules Optics Limited, acquired the trade and assets of the Graticules division of Pyser Optics Limited for a consideration payable in cash, with funding provided by the Company in the form of a loan.

The assets and liabilities acquired were as follows:

| | Book value £'000 | Fair Value adjustment £'000 | Fair Value £'000 |
|--|---------------------|-----------------------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 91 | – | 91 |
| Intangible assets – trade names | – | 67 | 67 |
| Intangible assets – customer relationships | – | 2,096 | 2,096 |
| Total non-current assets | 91 | 2,163 | 2,254 |
| Current assets | | | |
| Stock | 250 | (20) | 230 |
| Debtors | 248 | (31) | 217 |
| Liabilities | | | |
| Trade and other payables | (174) | – | (174) |
| Lease commitments | (34) | – | (34) |
| Deferred tax liability | – | (371) | (371) |
| Net assets acquired | 381 | 1,741 | 2,122 |
| Goodwill | – | 1,278 | 1,278 |
| Consideration and cost of investment | | | 3,400 |
| Fair value of consideration transferred | | | |
| Cash paid in year | | | 3,400 |
| | | | 3,400 |

Graticules Optics Limited contributed £444k revenue and approximately £117k (after management charges) to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Graticules Optics had been completed on the first day of the financial year, the impact on group revenues for the period would have been £1,523k and the impact on group profit would have been approximately £340k (after management charges).

The goodwill of £1,278k arising from the acquisition primarily relates to the assembled workforce and to expected future profitability and growth expectations.

The customer relationships intangible asset has been valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards. Key assumptions are the discount rate and attrition rate. Values of 17.5% and 10% were selected. The deferred tax liability has been calculated on the amortisable intangible assets using the enacted statutory tax rate of 17%.

(d) On 4 April 2019, the Company acquired the entire share capital of MPB Industries Limited, a company incorporated in England and Wales, for a consideration payable in cash.

The assets and liabilities acquired were as follows:

| | Book value £'000 | Fair Value adjustment £'000 | Fair Value £'000 |
|--|---------------------|-----------------------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Fixed assets | 19 | – | 19 |
| Intangible assets – trade names | – | 59 | 59 |
| Intangible assets – customer relationships | – | 915 | 915 |
| Total non-current assets | 19 | 974 | 993 |
| Current assets | | | |
| Stock | 119 | – | 119 |
| Debtors | 259 | – | 259 |
| Cash at bank | 55 | – | 55 |
| Liabilities | | | |
| Trade and other payables | (252) | – | (252) |
| Lease commitments | (9) | – | (9) |
| Corporation tax | (44) | – | (44) |
| Deferred tax liability | – | (165) | (165) |
| Net assets acquired | 147 | 809 | 956 |
| Goodwill | – | 630 | 630 |
| Consideration and cost of investment | | | 1,586 |
| Fair value of consideration transferred | | | |
| Cash paid in year | | | 1,586 |
| | | | 1,586 |

MPB Industries Limited contributed £145k revenue and approximately £21k (after management charges) to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of MPB Industries Limited had been completed on the first day of the financial year, the impact on group revenues for the period would have been £1,767k and the impact on group profit would have been approximately £214k (after management charges).

The goodwill of £630k arising from the acquisition primarily relates to the assembled workforce and to expected future profitability and growth expectations.

The customer relationships intangible asset has been valued using a multi-period excess earnings methodology. The estimated fair value of the customer relationships therefore reflects the present value of the projected stream of cash flows that are expected to be generated by existing customers going forwards. Key assumptions are the discount rate and attrition rate. Values of 17.5% and 10% were selected. The deferred tax liability has been calculated on the amortisable intangible assets using the enacted statutory tax rate of 17%.

The last financial year for MPB Industries Limited closed in December 2018. It is expected that the current financial year will be extended by four months to coincide with the financial year of the Group.

In addition, on 15 January 2019, the Group subsidiary Synoptics Limited acquired the trade and assets of the Ionscope division of DeepMatter plc for a consideration of £49k, which was equal to the fair value of tangible net assets acquired.

In the consolidated statement of cash flows for the year ended 30 April 2019, the item "Acquisition of subsidiaries, net of cash" of £6,668k comprises the consideration and cost of investment for the investments as shown above, less the Cash at Bank assumed with the acquisitions totalling £122k.

Company Balance Sheet

For the year ended 30 April 2019

| | Note | 2019 £'000 | 2018 Restated £'000 |
|--|------|----------------|---------------------------|
| Fixed assets | | | |
| Investments | 4 | 15,739 | 12,036 |
| Intangible assets | 5 | – | 8 |
| Deferred tax asset | 6 | 120 | – |
| | | 15,859 | 12,044 |
| Current assets | | | |
| Debtors | 7 | 3,674 | 59 |
| Cash | | 437 | 173 |
| | | 4,111 | 232 |
| Creditors: amounts falling due within one year | 8 | (619) | (519) |
| Net current assets | | 3,492 | (287) |
| Total assets less current liabilities | | 19,351 | 11,757 |
| Creditors: amounts falling due after more than one year | 9/10 | (4,000) | (1,370) |
| Net assets | | 15,351 | 10,387 |
| Capital and reserves | | | |
| Called up share capital | 11 | 972 | 896 |
| Share premium account | | 8,698 | 6,389 |
| Other reserves | | 284 | 111 |
| Merger relief reserve | | 424 | 424 |
| Profit and loss account | | 4,973 | 2,567 |
| Shareholders' funds | | 15,351 | 10,387 |

Restatement: 2018 Investments and Profit and loss account have been reduced by £701,000 to correct a mis-statement in the Company accounts relating to the payment of a dividend by an acquired company to former owners. This was correctly accounted for in the Group's consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 17 July 2019.



Mike Creedon
Chief Executive Officer



Jon Abell
Chief Financial Officer

Company registration number: 6385396

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the financial year was £2,406,000 (2018 restated: profit £3,888,000).

Company Statement of Changes in Equity

For the year ended 30 April 2019

| | Share capital £ | Merger reserve £ | Share premium reserve £ | Other reserves £ | Profit and loss account £ | Total £ |
|-----------------------------|--------------------|------------------------|----------------------------------|------------------------|------------------------------------|---------------|
| At 1 May 2018 (as reported) | 896 | 424 | 6,389 | 111 | 3,268 | 11,088 |
| Restatement | – | – | – | – | (701) | (701) |
| At 1 May 2018 restated | 896 | 424 | 6,389 | 111 | 2,567 | 10,387 |
| Shares issued | 76 | – | 2,309 | – | – | 2,385 |
| Share-based payments | – | – | – | 173 | – | 173 |
| Transactions with owners | 76 | – | 2,309 | 173 | – | 2,558 |
| Profit for the year | – | – | – | – | 2,406 | 2,406 |
| At 30 April 2019 | 972 | 424 | 8,698 | 284 | 4,973 | 15,351 |

| | Share capital £ | Merger reserve £ | Share premium reserve £ | Other reserves £ | Profit and loss account £ | Total £ |
|------------------------------------|--------------------|------------------------|----------------------------------|------------------------|------------------------------------|---------------|
| At 1 May 2017 | 889 | 424 | 6,199 | 83 | (1,321) | 6,274 |
| Shares issued | 7 | – | 190 | 3 | – | 200 |
| Share-based payments | – | – | – | 25 | – | 25 |
| Transactions with owners | 7 | – | 190 | 28 | – | 225 |
| Profit for the year (restated) | – | – | – | – | 3,888 | 3,888 |
| At 30 April 2018 (restated) | 896 | 424 | 6,389 | 111 | 2,567 | 10,387 |

Restatement: 2018 Profit has been reduced by £701,000 to correct a mis-statement in the Company accounts relating to the payment of a dividend by an acquired company to former owners. This was correctly accounted for in the Group's consolidated financial statements.

Notes to the Company Financial Statements

For the year ended 30 April 2019

1 Principal Accounting Policies

Basis of preparation

The separate financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The financial statements are prepared under the historical cost convention.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- A statement of cash flows and related notes
- The requirements of IAS 24 related party disclosures to disclose related party transactions entered between two or more members of the group as they are wholly owned within the group.
- Disclosure of key management personnel compensation
- Capital management disclosures
- Presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period
- The effect of future accounting standards not adopted
- Certain share-based payment disclosures
- Disclosures in relation to impairment of assets
- Financial instrument disclosures under IFRS 9

Investments

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

Share options

Scientific Digital Imaging Plc regularly issues share options to employees, including to employees of subsidiary companies. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the Profit and Loss account over the vesting period of the option. The amount to be expensed is determined by reference to the fair value of the options at the grant date adjusted for the number expected to vest. The expense relating to these options is recognised in the relevant subsidiary company profit and loss account. The carrying value of the investment in those subsidiaries is increased by an amount equal to the value of share-based payment charge attributable to the option holders in the respective subsidiaries.

Financial instruments

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

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

Pension

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

2 Employee Remuneration

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

| | 2019 £'000 | 2018 £'000 |
|------------|---------------|---------------|
| Emoluments | 400 | 264 |
| Pension | 12 | 6 |
| | 412 | 270 |

During the period one director exercised 165,000 share options held over ordinary shares of Scientific Digital Imaging Plc.

Details of directors' interest in the shares and options of the Company are provided in the Directors' remuneration report on page 28. The highest paid director aggregate entitlements were £204k (2018:£170k) in addition to Company pension contributions of £7k (2018:£6k) made to a money purchase scheme. As at 30 April 2019 the highest paid Director held a total of 1,872,123 share options (2018: 1,385,000 share options).

Key management for the Company is considered to be the Directors of the Company. Employer's National Insurance in respect of Directors was £46k in 2019 (2018: £25k).

Share-based employee remuneration

Further details of the Company's share-based remuneration are set out in Note 8 to the consolidated financial statements.

The share-based payment expense for the Company totalled £105k (2018: £25k).

3 Auditors' Remuneration

Auditors' remuneration attributable to the Company is as follows:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Taxation compliance services/taxation advisory services | 4 | 3 |
| Fees payable to the company's auditor for the audit of the financial statements | 11 | 11 |

4 Investments

Investments in Group undertakings

| | £'000 |
|--|--------|
| Cost and net book amount as at 1 May 2018 (as reported) | 12,737 |
| Restatement | (701) |
| Cost and net book amount as at 1 May 2018 restated | 12,036 |
| Additions | 3,283 |
| Share-based payment expense recognised as capital contributions in subsidiaries | 70 |
| Capital increase at Perseu Comercio De Equipamento Para Informatica E Astronomica SA | 350 |
| Cost and net book amount as at 30 April 2019 | 15,739 |

Restatement: 2018 Investments have been reduced by £701,000 to correct a mis-statement in the Company accounts relating to the payment of a dividend by an acquired company to former owners. This was correctly accounted for in the Group's consolidated financial statements.

Details of the investments are as follows:

| Subsidiary undertakings | Country of incorporation | Holdings | Proportion of voting rights | Nature of business |
|--|--------------------------|-----------------|-----------------------------|----------------------|
| Synoptics Limited | England and Wales | Ordinary shares | 100% | Design & Manufacture |
| Atik Cameras Limited | England and Wales | Ordinary shares | 100% | Design |
| Perseu Comercio De Equipamento Para Informatica E Astronomica SA | Portugal | Share quotas | 100% | Manufacture |
| Opus Instruments Limited | England and Wales | Ordinary Shares | 100% | Dormant |
| Sentek Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |
| Astles Control Systems Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |
| Applied Thermal Control Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |
| Fistream International Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |
| Thermal Exchange Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |
| Graticules Optics Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |
| MPB Industries Limited | England and Wales | Ordinary Shares | 100% | Design & Manufacture |

The following companies are all held by Synoptics Limited:

| | | | | |
|---------------------------------------|-------------------|-----------------|------|-------------|
| Image Techniques of Cambridge Limited | England and Wales | Ordinary Shares | 100% | Dormant |
| SDI Group Limited | England and Wales | Ordinary Shares | 100% | Dormant |
| Synoptics Inc | USA | Ordinary | 100% | Distributor |

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

Notes to the Company Financial Statements continued

For the year ended 30 April 2019

5 Intangible Assets

| | 2019 £'000 |
|---|---------------|
| Cost at 30 April 2019 & 2018 | 50 |
| Amortisation as at 1 May 2018 | 42 |
| Charge for the year | 8 |
| Amortisation as at 30 April 2019 | 50 |
| Net book value as at 30 April 2018 | 8 |
| Net book value as at 30 April 2019 | 0 |

6 Deferred Tax Asset

| | 2019 £'000 | 2018 £'000 |
|--------------------|---------------|---------------|
| Deferred tax asset | 120 | – |
| | 120 | – |

The deferred tax asset relates to tax deductions for share options as they are exercised.

7 Debtors

| | 2019 £'000 | 2018 £'000 |
|----------------------------------|---------------|---------------|
| Inter-group debtors – short term | 225 | 47 |
| Inter-group debtor – long term | 3,400 | – |
| Prepayments and accrued income | 40 | 7 |
| Other debtors | 9 | 5 |
| | 3,674 | 59 |

All debtors, with the exception of the Inter-group debtor – long term shown above, fall due within one year of the balance sheet date. No provisions are made for long-term inter-group debtors as the credit risk is not thought to be significant.

8 Creditors: Amounts Falling Due Within One Year

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|---------------|---------------|
| Amounts owed to other group companies | 69 | 192 |
| Trade creditors | 149 | 29 |
| Bank loans | – | – |
| Other creditors | – | 152 |
| Social security and other taxes | 14 | 14 |
| Accruals and deferred income | 387 | 132 |
| | 619 | 519 |

9 Creditors: Amounts Falling Due After One Year

| | 2019 £'000 | 2018 £'000 |
|---------------------------------------|---------------|---------------|
| Amounts owed to other group companies | – | – |
| Bank loans | 4,000 | 1,370 |
| Other loans | – | – |
| | 4,000 | 1,370 |

10 Borrowings

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Amounts repayable in more than two years but not more than five years: | | |
| Bank loan | 4,000 | 1,370 |
| Loan | 4,000 | 1,370 |

Bank finance relates to amounts drawn down under the Group's revolving bank facility with HSBC Bank plc. The Group has a £5,000,000 facility. The termination date of the facility is 3 April 2023.

11 Called Up Share Capital

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Authorised | | |
| 1,000,000,000 Ordinary shares of 1p each | 10,000 | 10,000 |
| Allotted, called up and fully paid 97,203,951 | | |
| 2019: (2018: 89,633,424) Ordinary shares of 1p each | 972 | 896 |

During the year 7,570,527 Ordinary shares of 1p were issued in a share placing associated with the acquisition of Graticules Optics. Gross proceeds were £2,574k and net proceeds after broker and legal fees were £2,384k.

Ordinary shares 160,528 (2018: 619,528) are held by the Synoptics Employee Benefit Trust and are reserved for providing employee benefits such as satisfying the exercise of share options.

Share options

A summary of options outstanding currently is provided in Note 8 to the consolidated financial statements.

12 Related Party Transactions

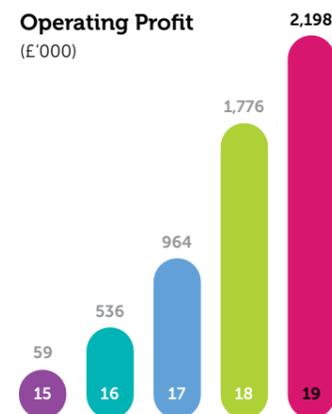
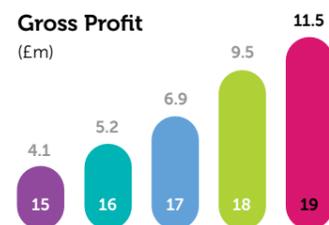
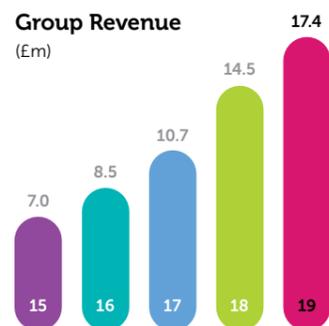
Transactions with Directors are disclosed within the Directors' Remuneration Report and note 8 to the consolidated financial statements.

Additionally, Ken Ford is a non-executive director of Primary Bid, an electronic broker. The Company placed £100,000 of shares with retail investors using Primary Bid's platform in February 2019 alongside its institutional placing associated with the Group's acquisition of Graticules Optics. Fees for the placing were approximately £5,000.

The Company is not required to disclose transactions with its wholly owned subsidiaries.

Five-Year Summary

| | 2019 Total £'000 | 2018 Total £'000 | 2017 Total £'000 | 2016 Total £'000 | 2015 Total £'000 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenue | 17,427 | 14,496 | 10,748 | 8,473 | 6,955 |
| Cost of sales | (5,902) | (4,954) | (3,837) | (3,298) | (2,837) |
| Gross profit | 11,525 | 9,542 | 6,911 | 5,175 | 4,118 |
| Gross margin % | 66.1% | 65.8% | 64.3% | 61.1% | 59.2% |
| Other operating costs | (8,423) | (7,196) | (5,575) | (4,346) | (3,665) |
| Adjusted Operating Profit | 3,102 | 2,346 | 1,336 | 819 | 453 |
| Reorganisation costs | (124) | (63) | (87) | (17) | (200) |
| Share-based payments | (136) | (65) | (2) | (7) | (8) |
| Acquisition and fundraising costs | (288) | (165) | (165) | (178) | (126) |
| Amortisation of acquired intangible assets | (356) | (277) | (118) | (81) | (60) |
| Operating profit | 2,198 | 1,776 | 964 | 536 | 59 |
| Net financing expenses | (77) | (63) | (61) | (40) | (36) |
| Profit before tax | 2,121 | 1,713 | 903 | 496 | 23 |
| Income tax | (209) | (98) | (75) | 75 | 21 |
| Profit for the year | 1,912 | 1,616 | 828 | 571 | 44 |
| Cash generated from operations | 3,620 | 2,854 | 1,406 | 1,298 | 439 |
| Earnings per share | | | | | |
| Basic earnings per share | 2.10p | 1.81p | 1.17p | 1.17p | 0.15p |
| Diluted earnings per share | 2.05p | 1.79p | 1.14p | 1.15p | 0.15p |



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Shareholder Information

For the year ended 30 April 2019

Scientific Digital Imaging plc

Company registration number 6385396

Registered office

Beacon House, Nuffield Road, Cambridge CB4 1TF

Directors

E K Ford Chairman
M Creedon Chief Executive Officer
I Napper Non-Executive Director
D Tilston Non-Executive Director
J Abell Chief Financial Officer (appointed 2 July 2018)

Company Secretary

J Abell

Bankers

HSBC Bank Plc

St John's Innovation Park, Cowley Road, Cambridge CB4 0DS

Solicitors

Mills & Reeve LLP

Botanic House, 100 Hills Road, Cambridge CB2 1PH

Auditor

Grant Thornton UK LLP

Registered Auditor Chartered Accountants

101 Cambridge Science Park, Milton Road, Cambridge CB4 0FY

Nominated Advisor and Broker

finnCap Limited

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Registrar

Share Registrars Limited

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