

**COMPANY NUMBER 6385396
SDI ANNUAL REPORT 2017**

SCIENTIFIC DIGITAL IMAGING PLC

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 APRIL 2017**

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Company no. 6385396

SCIENTIFIC DIGITAL IMAGING PLC

For the year ended 30 April 2017

Company registration number: 6385396

Registered office: Beacon House
Nuffield Road
Cambridge
CB4 1TF

Directors: E K Ford (Chairman)
Dr A J B Simon (Non-Executive Director)
I Napper (Non-Executive Director)
M Creedon (Chief Executive Officer)

Company Secretary: M Creedon

Bankers: National Westminster Bank Plc
35-37 Fitzroy Street
Cambridge
CB1 1EU

Solicitors: Mills & Reeve
Botanic House
100 Hills Road
Cambridge
CB2 1PH

Auditor: Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Nominated Advisor and Broker: finnCap Limited
60 New Broad Street
London
EC2M 1JJ

Registrar: Share Registrars Limited
Suite E
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9 Lion & Lamb Yard
Farnham
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SCIENTIFIC DIGITAL IMAGING PLC

For the year ended 30 April 2017

INDEX	PAGE
Strategic report	
- Chairman's statement	2
- Chief Executive's operating report	3
- Strategic report	7
Report of the Directors	11
Corporate governance statement	13
Directors' remuneration report	16
Directors' responsibilities	18
Report of the independent auditor	19
Consolidated income statement	21
Consolidated statement of comprehensive income	22
Consolidated balance sheet	23
Consolidated statement of cash flows	24
Consolidated statement of changes in equity	25
Notes to the consolidated financial statements	26
Report of the independent auditor on the company financial statements	53
Company balance sheet	55
Company statement of changes in equity	56
Notes to the company financial statements	57

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

Chairman's Statement

Performance

The financial year to 30 April 2017 was a successful year for Scientific Digital Imaging plc ("SDI") with increased turnover, profit and earnings per share. We completed another successful fundraising and acquired Astles Control Systems Limited 'Astles', a major supplier of chemical dosing and control equipment with a useful recurring revenue stream. The addition of a profitable business which uses products from Sentek, one of our other recent acquisitions, will further balance our portfolio of technologies and exposure to risk.

Having raised £3.1 million in 2016, we are continuing to pursue our successful buy and build strategy. We have identified several potential acquisitions with technologies which will complement our existing portfolio.

SDI has increased the footprint and in-house capabilities of its manufacturing facilities and continues to invest in research and development to maintain the Company's technology expertise and output capacity.

Astles did not contribute a full year's revenue in FY17 because the firm was only acquired in January 2017 but we expect our new acquisition will enhance earnings for the Group in its first full year of ownership.

Sentek exceeded its sales forecast and this is due in part to an expansion of the OEM side of the business, where large contracts have been negotiated for the supply of sensors with major life science and healthcare firms.

Atik Cameras also exceeded its forecast, driven mainly by sales of bespoke and off-the-shelf cameras to OEM customers in the life science sector. Synbiosis has seen good sales growth of its ProtoCOL 3 system in pharmaceutical markets for vaccine and antibiotic testing where the division has added new analysis software.

Opus, the camera for the art market, generated good steady sales.

Synbiosis, the colony counting division of Synoptics also showed growth in sales. Synoptics reduced its cost base towards the end of the financial year which we should see the benefit of in the current year.

People

On behalf of the Board, I would like to thank all our staff for their hard work in ensuring that our products are manufactured to budget targets and meet our OEM and direct customers' current and future needs.

Outlook

The Board expects SDI to make good progress over the coming financial year as we continue to pursue our strategy of organic and acquisitive growth. The positive contribution of Sentek and Atik via their global OEM business, as well as direct sales of Synbiosis and Astles products, are expected to drive continued growth and profitability. The Board is confident that SDI is now in an excellent position for profitable growth through increased revenue and the potential for additional acquisitions in 2017/18. The Board views the current financial year very positively.

Ken Ford
Chairman
25 July 2017



SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

Chief Executive's Operating Report

SDI designs and manufactures scientific products for use in applications including life sciences, healthcare, astronomy and art conservation, through its Synoptics Divisions (Syngene, Synbiosis and Synoptics Health), and its Atik Cameras brands (Atik, Artemis CCD and Osiris). SDI also develops and manufactures electrochemical sensors through Sentek, as well as chemical dosing and control equipment via Astles.

Atik Cameras

Atik Cameras designs and manufactures highly sensitive cameras. These are marketed for life science and industrial applications under its Artemis brand and for deep-sky astronomy imaging as Atik cameras. During the year, development and manufacturing of Opus Instruments' OSIRIS camera for art conservation and restoration has been taken in-house by Atik Cameras. Integrating a complementary imaging technology into the Atik Cameras portfolio, ensures economies of scale in terms of overheads and development costs will be achieved going forward.

Atik Cameras has continued to increase sales and profitability of its CCD cameras in the life science industry this year. Sales of cameras to OEM customers, including intra-company sales to SDI's Synoptics group now account for around 80% of turnover. Atik Cameras' strategy of offering a bespoke approach to potential OEM customers has resulted in an agreement with one of the world's leading life science companies, to design and supply high quality CCD cameras for new high-end laboratory analysis systems. These are aimed at the US market and are expected to sell well throughout 2017/18 and provide a steady revenue stream. Atik Cameras is seeking additional opportunities with new OEM clients.

Sales to amateur astronomers have also grown. To expand the portfolio, at the end of 2016, Atik Cameras introduced a high-resolution astrophotography camera, the Atik 16200. This offers astronomers who have used an entry level Atik camera the choice of a high specification camera from a brand they trust that enables them to capture more detailed star images.

The company is assessing using CMOS (Complementary Metal-Oxide-Semiconductor) sensors instead of CCDs in some of its cameras. These are less expensive than CCD-based sensors, offering the opportunity to increase profitability of some camera products without compromising on image quality. Atik Cameras will be introducing prototype cameras with CMOS sensors later in 2017.

To keep pace with the increase in new product development and manufacturing, Atik Cameras has increased the size of its facility in Lisbon and has successfully attained ISO 9001 accreditation to demonstrate that it can provide cameras that meet major life science customers' high specifications and regulatory requirements. The division has also invested in software design staff and in-house CAD engineering capabilities to ensure customer driven product development can be fulfilled.

Opus Instruments

The Opus OSIRIS camera was developed as a collaboration with the National Gallery. The camera is now a world leader in the field of Infrared Reflectography and is now being manufactured by Atik Cameras. Demand for the OSIRIS camera throughout the year remained steady and sales to prestigious institutions, including the Van Gogh Museum in The Netherlands, continue.

Atik Cameras is developing an upgraded, higher specification version of the OSIRIS camera which it expects to launch in 2018. This will be marketed to customers who have the first-generation OSIRIS camera as many have expressed the need for this type of camera.

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

Artemis CCD is confident the strong demand for its cameras by life science OEMs, as well as the amateur astronomy and art conservation markets will ensure the division contributes profitable revenues to the SDI Group in the coming year.

Astles

Astles was acquired by SDI in January 2017 and is a supplier of chemical dosing and control systems to different manufacturing industries including manufacturers of beverage cans, engineering and motor components, white goods, architectural aluminium and steel. The company supplies equipment with an average product life of 10 years, as well as repeat business consumables.

The company has seen a 19% sales growth in 2016/17, mostly from direct sales to European and Asia-Pacific markets and is currently developing an in-house toroidal conductivity sensor which it will be trialling its chemical dosing and control systems throughout 2017. Additionally, Astles utilises many of Sentek's electrochemical sensors in its product range, so like Atik Cameras, will contribute to intra-Group revenues and presents an opportunity to cross-promote Sentek's sensors to Astles' customers in the coming year.

The Board believes that the integration risk relating to the acquisition of Astles by SDI [now largely complete,] is low and will increase SDI's repeat business revenue streams utilising its existing staff level and premises. The acquisition of Astles is expected to be earnings enhancing in the first full year of ownership.

Sentek

Sentek manufactures and markets off-the shelf and custom-made electrochemical sensors for water based applications. These sensors are used in laboratory analysis, in food, beverage and personal care manufacture, as well as the leisure industry. Sentek's electrodes have a working life of only 6-12 months, and must be replaced regularly, providing a repeat business revenue model for the SDI Group.

Sentek had a strong year with 30 percent growth in sales with growth across all sectors the company serves. The company's European sales were above forecast, due in part to the weakness of sterling against the euro resulting in Sentek products becoming more competitively priced. During the period, Sentek negotiated an exclusive contract to supply single-use sensors with a major life science company. These are utilised in disposable bioreactors in pharmaceutical and biotech companies for developing biological drugs. The use of these bioreactors is estimated to grow globally at around 20 percent annually until 2020, providing Sentek with an additional growing revenue stream.

Sentek continues to supply a large healthcare company with sensors for its blood gas analysers, has secured new business to produce sensors for a major European swimming pool client and is growing sales of sensors to the laboratory sector via its dealer network.

To service the extra sales demand, Sentek has recruited additional manufacturing staff and in-house analytical chemistry expertise to ensure product quality is maintained and application support is increased. During the coming year, Sentek is assessing new types of glass for sensors, which will adhere to EU directives and is putting in place on-line marketing strategies to make new and existing customers aware of its sensor portfolio.

Sentek believes the combination of its OEM business and direct sales via dealers will provide a growing revenue stream for 2017 and will continue to be earnings enhancing for the SDI Group.

Synoptics

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

Synoptics designs and manufactures scientific instruments based on digital imaging, for the life science research, microbiology and healthcare markets. Synoptics is the largest of the SDI companies and its divisions offer product brands including G:BOX, ProtoCOL 3, ChromaZona and ProReveal, each targeting a different sector of these markets.

Synbiosis

Synbiosis provides automated and manual systems for microbiological testing in food, water, pharmaceutical and clinical applications. In 2016, the Division introduced a Minimum Inhibitory Concentration (MIC) point module for the eAST software to automate analysis of antimicrobial susceptibility testing (AST). The software module runs on Synbiosis' ProtoCOL 3 and ChromaZona systems, making it easier for scientists to measure antibiotic resistance according to quality standards such as EUCAST and CLSI. The introduction of the new software module has increased awareness of ProtoCOL 3 across all territories, resulting in multiple orders for the systems globally in major pharmaceutical companies where ProtoCOL 3 is being used for testing human and veterinary antibiotics and vaccines.

To capitalise on this interest, Synbiosis has partnered with UNISTAT, a supplier of the pharmaceutical industries' most widely used bioassay analysis software to enable data transfer from the ProtoCOL 3 system. Synbiosis is now marketing the integrated statistics software under licence from UNISTAT and is beginning to see sales of this product alongside its ProtoCOL 3.

In 2016, Synbiosis also introduced ChromaZona, an in-vitro diagnostic (IVD) certified system for microbial identification, ensuring ChromaZona is suitable for use in clinical diagnostic markets, a sector that Synbiosis has not previously serviced. The system was shown in 2016 at ECMID, a leading clinical show where it proved popular and Synbiosis is beginning to see interest in this new market segment.

Synbiosis expects the new software packages coupled with new and existing automation for antimicrobial resistance and vaccine testing will continue to deliver profitable growth in the coming year.

Syngene

Syngene develops and manufactures systems and software for analysing gels and blots. The market for image analysers is mature and Syngene continues to experience pricing competition. To address this need in 2016, Syngene introduced NuGenius, a new, entry level imager, which uses a Raspberry Pi processor. This product is now selling well worldwide.

To address the North American market specifically, Syngene is developing the G:BOX mini, a new competitively priced small foot print version of its popular G:BOX. This system includes the option to add high specification LED lighting for imaging performance, yet its smaller darkroom has a lower build cost making this a competitively priced high-end imager.

In 2017, Syngene is assessing its product portfolio and will discontinue systems with a low profit margin leaving a smaller more focused range. While this may affect sales turnover, it is expected to increase the division's profitability through increasing economies of scale with component purchasing and reducing build costs. Additionally, to ensure excellent service, Syngene staff are actively visiting and assessing its worldwide network of new and existing distributors to provide the required levels of training and support. By supplying a smaller range of competitively priced imaging systems, Syngene expects to increase its profitability in the coming year.

Synoptics Health

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

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. This cost-effective test conforms to BS EN ISO 15883-1 and delivers objective, visual and measurable results. Taking less than five minutes to carry out, ProReveal generates results as a visual display of the presence (or absence) of any protein and these results can be documented and archived as proof of process cleanliness.

ProReveal is the only commercial test on the market of which we are aware that complies with new UK Department of Health (DoH) guidelines published in July 2016 (<https://www.gov.uk/government/publications/management-and-decontamination-of-surgical-instruments-used-in-acute-care>) for preventing iatrogenic variant Creutzfeldt-Jakob disease (vCJD) infection. These guidelines state that protein levels on a surgical instrument should be measured directly on the surface rather than by swabbing or other commonly used methods.

The DoH has stated that instruments likely to be in contact with high risk tissue, neurological for example, are expected to move to *in situ* protein detection methodologies by 1st July 2017.

This has resulted in ProReveal being trialled by NHS hospitals across the UK and the sale in 2017 of eight systems to prestigious teaching hospitals specialising in neurosurgery and orthopaedics in Wales, Northern Ireland and England. Since ProReveal requires a spray to perform the test, the sale of systems will result in a recurring revenue stream from its associated consumables.

Synoptics Health believes the awareness creating sales combined with the enforcement of the new DoH guidelines will produce a steady uptake of ProReveal in NHS hospitals, and is expecting increased profitability for the division in the coming year.

With a range of different businesses that cover diverse technology sectors and geographical markets in the SDI Group, our portfolio is now achieving the right balance for growth and profitability. We are confident that the outlook for SDI in the next year will remain positive.



Mike Creedon

Chief Executive Officer
25 July 2017

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

STRATEGIC REPORT

Principal activity and business review

The Scientific Digital Imaging Plc Group (SDI) designs and manufactures scientific and technology products for use in applications including life sciences, healthcare, astronomy, consumer manufacturing and art conservation.

The Board intends to pursue a strategy of acquiring related companies, as well as seeking to generate organic growth. The Board believes there are many businesses operating within the market, a number of which have not achieved critical mass, and that this presents an ideal opportunity for consolidation. This strategy will be primarily focused within Europe but, where opportunities exist, acquisitions in the United States and elsewhere will also be considered. The acquisition of Artemis and Perseu represented the first step in the implementation of this strategy in 2008 followed by the acquisition of Opus Instruments in 2014 the acquisition of Sentek in October 2015 and recently in January 2017 the acquisition of Astles Control Systems.

The Chairman's Statement and Chief Executive's Operating Report, which appear on pages 1 to 6, give an overview of the performance of the Group during the year and likely future developments.

Key Performance Indicators

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

The non-financial key performance indicators are monitoring cost and timelines for research and development projects compared to project management targets.

Group Summary

Group revenue for the year is £10.7m (2016: £8.5m)

Gross profit increased to £6.9m (2016: £5.2m) with increased gross margin at 64.5% (2016: 61.1%).

Operating profit for the year was £964k (2016: £536k) and £1,218m (2016: £738k) before reorganisation costs, acquisition costs and share based payments

Investment in R&D

Total research and development in the current year was £781k, representing 7.3% of Group sales (2016: £596k representing 7.0% of Group sales). Under IFRS we are required to capitalise certain development expenditure and in the year ended 30 April 2017 £630k (2016: £476k) of cost was capitalised and added to the balance sheet. This expenditure represents the Group's investment in new product development. The amortisation charge for 2017 was £404k (2016: £366k). The carrying value of the capitalised development at 30 April 2017 was £1,108k (2016: £882k) to be amortised between 3 -5 years.

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

Reorganisation Costs

The Board carries out a thorough review of the operations and structures of the Group which gave rise to £87k (2016: £17k) of costs from the review and reorganisation incurred in 2016.

Acquisition and Fundraising Costs

£165k of costs relate to the acquisition of Astles Control Systems. In 2016 the Group incurred £178k of costs relating to the acquisition of Sentek.

Earnings per Share

Basic earnings per share for Group was 1.17p (2016: 1.17p) and diluted earnings per share for the Group was 1.24p (2016: 1.15p).

Finance Costs and Income

Net financing expense was £61k (2016: £40k).

Taxation

The tax charge of £75k (2016: £75k credit) arising through improved profitability.

Cash Flow

During the year the Group increased cash generated from operating activities to £2.00m (2016: £1.26m) and reported a cash balance of £2.35m (2016: £1.71m) at the year end. Net debt including deferred consideration to be paid shortly in relation to the recent Astles acquisition stood at [£212k] (2016: net cash [£993k]).

In January 2017 the Group raised £3.1m through an issue of 23.8m new shares at 13p. The funds raised were used to acquire Astles Control Systems Limited.

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.

Dependence on key distributors

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

In order to mitigate this risk the Group has a team dedicated to maintaining close relationships with our distributors.

Competition

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

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

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

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.

A review of the Group's exposure to credit risk, liquidity and currency risk is provided in Note 25.

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, liquidity position and borrowing facilities are described on pages 7 - 10. 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 31 August 2018. 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 an invoice discounting facility which is a 12 month rolling contract and a bank loan as detailed in note 19. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board 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.

Acquisition strategy

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

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

An example of the acquisition strategy is the acquisition of Astles Control Systems Limited this year. The deal is earnings enhancing, creates a scientific instrument company with a strong top and bottom line and diversifies the Group into a new sector of scientific instrumentation.

SCIENTIFIC DIGITAL IMAGING PLC

Strategic report

Summary

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

Mike Creedon
Chief Executive Officer
25 July 2017

SCIENTIFIC DIGITAL IMAGING PLC

Report of the Directors

Group results

The Group profit for the year after taxation amounted to £828k (2016: £571k) and has been transferred to reserves.

The Board does not recommend the payment of a dividend.

Directors

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

M J Creedon
E K Ford
J Gibbs (resigned 30 April 2017)
Dr A Simon
I Napper (appointed 21 February 2017)

The interests of the Directors and their families in the share capital of the Company are shown in the Remuneration report on pages 16 and 17.

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.

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 23 September 2016, 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 £214,000
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £64,000

Structure of share capital

As at 30 April 2017 the Company's authorised share capital of £10,000,000 comprised 1,000,000,000 ordinary shares of 1p each.

As at 30 April 2017 the Company had 88,864,194 (2016: 64,224,808) ordinary shares in issue with a nominal value of 1p each.

Financial risk management objectives and policies

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

SCIENTIFIC DIGITAL IMAGING PLC

Report of the Directors

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 30 April 2017 the following shareholders had each notified the Company that they held an interest of 3% or more, in the Company's ordinary share capital.

	Number of ordinary shares	Percentage of share capital
Business Growth Fund	10,769,231	12.12
Octopus Investments	8,860,277	9.97
Miton Asset Management	4,991,286	5.62
Hargreave Hale	3,525,938	3.97
Harwood Capital	3,265,393	3.68

Auditor

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

On behalf of the Board



Mike Creedon
Chief Executive Officer
25 July 2017

SCIENTIFIC DIGITAL IMAGING PLC

Corporate Governance Statement

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

The workings of the Board and its committees

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

The Board

The Board comprises the Chairman, one Executive Director 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.

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 18 and a statement on going concern is given on page 9.

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

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

Board Committees

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

SCIENTIFIC DIGITAL IMAGING PLC

Corporate Governance Statement

Remuneration Committee

Details of the Remuneration Committee can be found in the Directors' remuneration report on page 16-17.

Audit Committee

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

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

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

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

Audit independence

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

Internal control

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

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

- **Management Structure.** The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. The Chief Executive has been given responsibility for specific aspects of the Group's affairs. The Chief Executive also meets regularly with the Managing Directors and management teams of the subsidiary businesses.
- **Quality and integrity of personnel.** The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment.

SCIENTIFIC DIGITAL IMAGING PLC

Corporate Governance Statement

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

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

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

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

SCIENTIFIC DIGITAL IMAGING PLC

Directors' remuneration report

Remuneration Committee

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

Statement about basis of preparation

SDI has produced this report to comply with AIM rule 19.

Remuneration policy

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

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

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

Basic salary and benefits

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

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

					2017	2016
	Salary Fees £000	Bonus £000	Taxable Benefits £000	Pension £000	Total £000	Total £000
J Gibbs	20	-	-	-	20	19
A Simon	20	-	-	-	20	19
K Ford	30	-	-	-	30	27
I Napper	4	-	-	-	4	-
M Creedon	120	20	1	6	147	133
	<u>194</u>	<u>20</u>	<u>1</u>	<u>6</u>	<u>220</u>	<u>198</u>

SCIENTIFIC DIGITAL IMAGING PLC

Directors' remuneration report

Directors' beneficial interests

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

	2017 Number	2016 Number
A Simon	8,348	8,348
K Ford	1,250,000	1,000,000
M Creedon	146,924	70,000

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

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

	2017 Number	2016 Number
M Creedon	385,000	385,000

Service contracts

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

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

Remuneration policy for Non-Executive Directors

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

SCIENTIFIC DIGITAL IMAGING PLC

Directors' responsibilities

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have 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 judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs and UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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.

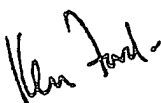
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

By order of the Board



Ken Ford
Chairman
25 July 2017



Mike Creedon
Chief Executive Officer
25 July 2017

SCIENTIFIC DIGITAL IMAGING PLC

Report of the Independent Auditor

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

We have audited the group financial statements of Scientific Digital Imaging Plc for the year ended 30 April 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group Financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

SCIENTIFIC DIGITAL IMAGING PLC

Report of the Independent Auditor

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the parent company financial statements of Scientific Digital Imaging Plc for the year ended 30 April 2017.

Grant Thornton UK LLP

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

25 July 2017

SCIENTIFIC DIGITAL IMAGING PLC

Consolidated income statement
For the year ended 30 April 2017

	Note	2017 £000	2016 £000
Revenue	5	10,748	8,473
Cost of sales		<u>(3,837)</u>	<u>(3,298)</u>
Gross profit		6,911	5,175
Administrative expenses		<u>(5,947)</u>	<u>(4,639)</u>
Operating profit		964	536
Analysed as:			
Gross profit		6,911	5,175
Other administrative expenses		<u>(5,693)</u>	<u>(4,437)</u>
		1,218	738
Reorganisation costs		(87)	(17)
Share based payments		(2)	(7)
Acquisition and fundraising costs		<u>(165)</u>	<u>(178)</u>
Operating profit		964	536
Finance payable and similar charges	8	<u>(61)</u>	<u>(40)</u>
Net financing expenses		<u>(61)</u>	<u>(40)</u>
Profit before tax	6	903	496
Income tax	9	<u>(75)</u>	<u>75</u>
Profit for the year		<u>828</u>	<u>571</u>
Earnings per share			
Basic earnings per share	21	<u>1.17p</u>	<u>1.17p</u>
Diluted earnings per share	21	<u>1.14p</u>	<u>1.15p</u>

All activities of the Group are classed as continuing.

The results attributable to business combinations in the year are disclosed in note 29

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

SCIENTIFIC DIGITAL IMAGING PLC

Consolidated statement of comprehensive income
For the year ended 30 April 2017

	2017	2016
	£000	£000
Profit for the period	828	571
Other comprehensive income		
Exchange differences on translating foreign operations	<u>126</u>	<u>82</u>
Total comprehensive income for the period	<u>954</u>	<u>653</u>

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


SCIENTIFIC DIGITAL IMAGING PLC

Consolidated balance sheet For the year ended 30 April 2017

	Note	2017 £000	2016 £000
Assets			
Intangible assets	10	9,770	4,309
Property, plant and equipment	11	478	382
Deferred tax asset	12	48	67
		<u>10,296</u>	<u>4,758</u>
Current assets			
Inventories	13	1,747	1,378
Trade and other receivables	14	1,831	1,496
Current tax assets		-	132
Cash and cash equivalents	15	2,355	1,708
		<u>6,033</u>	<u>4,714</u>
Total assets		<u>16,329</u>	<u>9,472</u>
Liabilities			
Non-current liabilities			
Borrowings	19	940	314
Trade and other payables	16	-	-
Deferred tax liability	12	950	377
		<u>1,890</u>	<u>691</u>
Current liabilities			
Trade and other payables	16	3,228	1,447
Provisions for warranties	18	19	18
Borrowings	19	254	401
Current tax payable		228	151
		<u>3,729</u>	<u>2,017</u>
Total liabilities		<u>5,619</u>	<u>2,708</u>
Net assets		<u>10,710</u>	<u>6,764</u>
Equity			
Share capital	20	889	642
Merger reserve		3,030	3,030
Share premium account		6,200	3,457
Own shares held by Employee Benefit Trust	22	(85)	(85)
Other reserves		83	81
Foreign exchange reserve		139	13
Retained earnings		464	(374)
Total equity		<u>10,710</u>	<u>6,764</u>

The financial statements were approved by the Board of Directors on 25 July 2017


Ken Ford
Chairman


Mike Creedon
Chief Executive Officer

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

SCIENTIFIC DIGITAL IMAGING PLC

Consolidated statement of cashflows For the year ended 30 April 2017

	2017 £000	2016 £000
Operating activities		
Profit for the year	828	571
Depreciation	213	216
Amortisation	556	447
Finance costs and income	61	40
Increase in provision	1	-
Release of deferred consideration	(41)	-
Taxation in the income statement	75	(75)
Employee share based payments	2	8
Operating cash flows before movement in working capital	1,695	1,207
Increase in inventories	(237)	(166)
Changes in trade and other receivables	(72)	421
Changes in trade and other payables	20	(164)
Cash generated from operations	1,406	1,298
Interest paid	(61)	(40)
Income taxes received/(paid)	(19)	5
Cash generated from operating activities	1,326	1,263
Investing activities		
Capital expenditure on fixed assets	(215)	(209)
Expenditure on development and other intangibles	(643)	(511)
Acquisition of subsidiaries, net of cash	(3,277)	(2,360)
Sale of property, plant and equipment	-	65
Net cash used in investing activities	(4,135)	(3,015)
Financing activities		
Finance leases repayments	(10)	(21)
Proceeds from bank borrowing	1,164	500
Deferred consideration	(62)	-
Exchange difference	119	-
Repayment of borrowings	(745)	(189)
Issues of shares	2,990	2,292
Net cash from financing	3,456	2,582
Net changes in cash and cash equivalents	685	830
Cash and cash equivalents, beginning of year	1,708	876
Foreign currency movements on cash balances	-	2
Cash and cash equivalents, end of year	2,355	1,708

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

SCIENTIFIC DIGITAL IMAGING PLC

Consolidated statement of changes in equity For the year ended 30 April 2017

	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 2016	642	3,030	13	3,457	(85)	81	(374)	6,764
Shares issued	247	-	-	2,743	-	-	-	2,990
Share based payments	-	-	-	-	-	2	-	2
Transactions with owners	247	-	-	2,743	-	2	-	2,992
Profit for the year	-	-	-	-	-	-	828	828
Foreign exchange on consolidation of subsidiaries	-	-	126	-	-	-	-	126
Total comprehensive income for the period	-	-	126	-	-	-	828	954
Balance at 30 April 2017	889	3,030	139	6,200	(85)	83	454	10,710

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

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

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 2017 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, liquidity position and borrowing facilities are described on pages 7 - 10. 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 31 August 2018. 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 an invoice discounting facility which is a 12 month rolling contract and a bank loan as detailed in note 19. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board 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 the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

Estimates

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

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

Intangibles – development costs

The Group is required to capitalise any development costs that meet the criteria as per IAS 38. (See Research and Development accounting policy, page 29) Significant assumptions are made in categorising development costs and in estimating the future profits expected from the development.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

Changes in these assumptions could affect the value of costs capitalised and hence the amount charged to the income statement.

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical and commercial feasibility is demonstrable. Development costs are only capitalised if all of 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 asset 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 for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

The carrying value of development costs at the year end was £1,108k (2016: £882k).

Impairment of goodwill and other intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows and a number of assumptions have been made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate in order to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 10. The carrying amount of goodwill at the year end was £4,907k (2016: £2,404k). Other intangibles had a carrying amount of £3,755k (2016: £1,023k).

Deferred taxation

Deferred tax is provided for based on management's estimation of future profits and utilisation of tax losses. Changes in these assumptions could affect the value of deferred tax provided for and hence the amount charged to the income statement. The total carrying amount of the deferred tax asset at 30 April 2017 is £48k (2016: £67k) of which £48k (2016: £67k) relates to trading losses.

Contingent consideration

Contingent consideration on acquisitions is measured at fair value. Where future payments are dependent on performance, predicted revenue levels for three years from the date of acquisition based on financial forecasts have been used, when recognising the liability. The fair value at 30 April 2017 was £1,367k (2016: £116k).

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2016. The adoption of new accounting standards and interpretations which came into effect 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.

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

PROPERTY, PLANT AND EQUIPMENT

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

The estimated useful lives are as follows:

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

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 between three and five years. Until completion of the project the assets are subject to impairment testing.

OTHER INTANGIBLE ASSETS

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

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

Capitalised development costs	3 years
Other intangible assets	5 - 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.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

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 reserve" represents equity-settled share-based employee remuneration until such share options are exercised. The equity component of convertible stock is also included. On conversion of the loan stock the equity component is transferred into the retained earnings reserve.
- "Retained earnings" represents retained profits.

CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

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

FINANCIAL ASSETS

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

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

FINANCIAL LIABILITIES

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

FINANCIAL INSTRUMENTS

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

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

REVENUE RECOGNITION

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

LEASED ASSETS

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

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

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

CONTINGENT CONSIDERATION

Contingent consideration on acquisitions 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.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

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 Chief Executive Officer.

PROVISIONS

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

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

EMPLOYEE BENEFIT TRUST

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

SHARE BASED PAYMENTS

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

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

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

4 STANDARDS AND INTERPRETATIONS CURRENTLY IN ISSUE BUT NOT YET EFFECTIVE

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

- IFRS 9 Financial Instruments (effective 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions issued June 2016 (effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018) is not currently expected to have a significant impact on the reported revenue based on current contracts in place. This will be reviewed until the standard comes into effect and comparative numbers will be produced as applicable
- IFRS 16 Leases (IASB effective 1 January 2019) will bring the majority of all operating leases onto the balance sheet in line with the accounting treatment for finance leases. This will affect the balance sheet, though it is not expected to materially effect the consolidated income statement.

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

5 SEGMENT ANALYSIS

Management consider that there is a single operating segment encompassing Synoptics three marketing brands: Syngene, Symbiosis, Synoptics Health, the Atik brand which is used within the Synoptics brands and sold externally to the amateur astronomy market, Osiris, Astles Control Systems and Sentek. Each of the brands have a number of products and whilst sales performance of each brand are monitored, resources are managed and strategic decisions made on the basis of the Group as a whole.

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

Revenue by destination of external customer	2017	2016
	£000	£000
United Kingdom (country of domicile)	3,515	1,772
Europe	2,508	2,037
America	2,595	2,794
Rest of Asia	1,554	1,487
Rest of World	576	383
	10,748	8,473
Non-current assets by location (excluding deferred tax)	2017	2016
	£000	£000
United Kingdom	10,006	4,499
Portugal	79	58
America	163	134
	10,248	4,691

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

6 PROFIT BEFORE TAXATION

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

	2017 £000	2016 £000
Amortisation other intangibles (Note 10)	152	81
Depreciation charge for year:		
Property, plant and equipment	204	199
Property, plant and equipment held under finance leases	9	17
Research and development costs:		
Expensed as incurred	140	239
Amortisation charge	404	366
Auditor's remuneration Group:		
Audit of Group accounts	15	18
Fees paid to the auditor and its associates in respect of other services:		
Audit of Company's subsidiaries	47	45
Tax advisory services	3	8
Tax compliance services	15	11
Currency exchange gains	(67)	(33)
Rental of land and buildings	199	165
Rental of other items	22	13

During the year the Board carried out a thorough review of the operations and structures of the Group which gave rise to £87k of costs incurred for the reorganisation (2016: £17k).

Additionally £165k of costs relating to work on acquisitions and fundraising (2016: £178k) were also incurred.

7 DIRECTORS' AND EMPLOYEES' REMUNERATION

Staff costs during the year were as follows:

	2017 £000	2016 £000
Wages and salaries (including restructuring costs and other termination benefits £72k (2016: £17k))	3,675	2,417
Social security costs	356	256
Share based payments	2	8
Other pension costs	101	54
	<u>4,134</u>	<u>2,735</u>

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

Staff costs relating to capitalised research and development are excluded from the table above. These costs amounted to £87k for the year (2016: £335k).

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

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

	2017 Number	2016 Number
Administration	17	11
Production	65	33
Product development	10	9
Sales and marketing	17	11
	<u>109</u>	<u>64</u>

The remuneration of the Directors is set out below:

	Salary / fees £000	Bonus £000	Taxable benefits £000	Sub Total £000	Pension £000	2017 Total £000	2016 Total £000
J Gibbs	20	-	-	20	-	20	19
A Simon	20	-	-	20	-	20	19
I Napper	4	-	-	4	-	4	-
K Ford	30	-	-	30	-	30	27
M Creedon	120	20	1	141	6	147	133
	<u>194</u>	<u>20</u>	<u>1</u>	<u>215</u>	<u>6</u>	<u>221</u>	<u>170</u>

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £141k (2016: £128k). Company pension contributions of £6k (2016: £5k) were made to a money purchase scheme. As at 30 April 2017 the highest paid Director held a total of 385,000 share options (2016: 385,000 share options). No share options were exercised by any Director during the year.

Key management for the Group is considered to be the Directors of the Group. Employer's National Insurance in respect of Directors was £24k in 2017 (2016: £23k), and share based payment charge was £2k in 2017 (2016: £2k).

Share based employee remuneration

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

A summary of options outstanding currently is as follows:

	2017		2016	
	Number of share options	Weighted Average Exercise price of options	Number of share options	Weighted Average Exercise price of options
Outstanding at the beginning of the year	881,000	£0.173	933,000	£0.177
Granted during the year	840,000	£0.165	100,000	£0.130
Exercised	(24,000)	£0.125	-	-
Expired during the year	(52,000)	£0.125	(152,000)	£0.173
Outstanding at the end of the year	<u>1,645,000</u>	<u>£0.177</u>	<u>881,000</u>	<u>£0.173</u>
Exercisable at the end of the year	<u>665,000</u>	<u>£0.198</u>	<u>713,000</u>	<u>£0.194</u>

The share options at the end of the year have a weighted average remaining contractual life of 7.3 years (2016: 4.9 years). The range of exercise prices for the outstanding options is £0.125 to £0.3225.

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

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

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

The share based payment expense for the Group totalled £2k (2016: £8k).

Pensions

The Group operates a defined contributions pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. Total contributions for the Group were £75k (2016: £54k).

	2017	2016
	£000	£000
Current pension obligations included in liabilities	<u>7</u>	<u>8</u>

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

8 FINANCE COSTS

	2017 £000	2016 £000
Invoice discounting and bank loans	59	39
Finance leases and hire purchase contracts	1	1
	<u>60</u>	<u>40</u>

9 TAXATION

	2017 £000	2016 £000
Corporation tax:		
Prior year corporation tax adjustment	51	(127)
	<u>51</u>	<u>(127)</u>
Deferred tax expense	24	51
Income tax charge	<u>75</u>	<u>(75)</u>

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit on ordinary activities before tax	903	496
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20% (2016: 20%)	181	99
Effects of:		
Expenses not deductible for tax purposes	123	5
Additional deduction for R&D expenditure	(131)	(63)
Prior year tax adjustments	(1)	(127)
Transferred to/(from) tax losses	(97)	11
	<u>75</u>	<u>(75)</u>

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.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

10 INTANGIBLE ASSETS

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

	Customer relationships	Other intangibles	Goodwill	Development costs	Total
	£000	£000	£000	£000	£000
Cost					
At 1 May 2016	875	477	2,404	2,917	6,673
Additions	2,805	79	2,503	630	6,017
Fair value adjustment	-	24	-	(37)	(13)
Disposals	-	-	-	(1,005)	(1,005)
At 30 April 2017	3,680	580	4,907	2,505	11,672
Amortisation					
At 1 May 2016	24	305	-	2,035	2,364
Fair value adjustment	-	24	-	(37)	(13)
Amortisation for the year	105	47	-	404	556
Disposals	-	-	-	(1,005)	(1,005)
At 30 April 2017	129	352	-	1,397	1,890
Net book amount at 30 April 2017	3,551	204	4,907	1,108	9,770
Net book amount at 30 April 2016	851	172	2,404	882	4,309
Cost					
At 1 May 2015	-	368	1,122	2,439	3,929
Additions	875	109	1,282	476	2,744
At 30 April 2016	875	477	2,404	2,917	6,673
Amortisation					
At 1 May 2015	-	248	-	1,669	1,917
Amortisation for the year	24	57	-	366	447
At 30 April 2016	24	305	-	2,035	2,364
Net book amount at 30 April 2016	851	172	2,404	882	4,309
Net book amount at 30 April 2015	-	120	1,122	770	2,012

- (a) The goodwill relates to the acquisition of Artemis CCD Ltd and Perseu Comercio De Equipamento Para Informatica E Astronomica SA. These subsidiaries have been treated as a single cash generating unit (Atik) for the purpose of calculating the recoverable amount of goodwill which is based on its value in use. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed one year forecast, followed by an extrapolation of expected cash flows. These cash flows have been extrapolated over five years with a long term growth rate of 5%, a short term growth rate of 3%, and a discount rate of 17%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of five years. Management's key assumption for this cash generating unit and resulting cash flows is to grow sales through increased market share which have been determined based upon past experience in this market.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

The Group is not currently aware of any probable changes that would lead to the carrying value exceeding the recoverable amount.

10 INTANGIBLE ASSETS (CONTINUED)

- (b) the acquisition of Opus Instruments. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed three year forecast with an assumed long term growth rate of 5%, a short term growth rate of 3% and a discount rate of 17%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of three years. Management's key assumption for this cash-generating unit is to grow sales through increased market share and a reduced cost base. This has been determined using the future plans for the business, which include exploration of further applications for the infrared imaging system and help to enhance SDI's current product offering in this market. The Group is not currently aware of any probable changes that would lead to the carrying value exceeding the recoverable amount.
- (c) the acquisition of Sentek. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed three year forecast with an assumed long term growth rate of 5%, a short term growth rate of 3% and a discount rate of 17%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of three years. Management's key assumption for this cash-generating unit is to grow sales through increased market share and a reduced cost base. This has been determined using the future plans for the business, which include exploration of further applications for the infrared imaging system and help to enhance SDI's current product offering in this market. The Group is not currently aware of any probable changes that would lead to the carrying value exceeding the recoverable amount.
- (d) The acquisition of Astles Control Systems. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed three year forecast with an assumed terminal growth rate of 5%, a short term growth rate of 3% and a discount rate of 17%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of three years. Management's key assumption for this cash-generating unit is to grow sales through increased market share and a reduced cost base. This has been determined using the future plans for the business, which include exploration of further applications for the infrared imaging system and help to enhance SDI's current product offering in this market. The Group is not currently aware of any probable changes that would lead to the carrying value exceeding the recoverable amount.

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

The net book value of building and leasehold, motor vehicles, computer equipment, tools and equipment and furniture, fixtures and fittings includes an amount of £71k (2016: £10k) in respect of assets held under finance leases and hire purchase contracts. Of this amount, £0k (2016: £7k) relates to motor vehicles and £71k (2016: £3k) relates to computer equipment. Depreciation on these assets is £7k (2016: £7k) and £2k (2016: £11k) respectively.

12 DEFERRED TAX

	2017	Deferred	2016	Deferred
	Deferred	tax liability	Deferred	Deferred
	tax asset	tax liability	tax asset	tax liability
	£000	£000	£000	£000
At 1 May 2016	67	(377)	105	(174)
Deferred tax on capitalised R & D		(12)	-	(20)
Trading losses recognised	(27)		(38)	
Other temporary differences	8	(19)	-	7
Charge on intangibles recognised on acquisition		(542)	-	(190)
	<u>48</u>	<u>(950)</u>	<u>67</u>	<u>(377)</u>
At 30 April 2017	<u>48</u>	<u>(950)</u>	<u>67</u>	<u>(377)</u>

	2017	2016
	Asset	Liability
	£000	£000
Deferred tax on capitalised R & D		(158)
Other temporary differences		(55)
Deferred tax on acquisition intangibles		(737)
Trading losses recognised	48	67
	<u>48</u>	<u>(950)</u>
	<u>48</u>	<u>(950)</u>

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 £322k (2016: £392k) in respect of losses. Total losses (provided and unprovided) totalled £1.8m (2016: £2.3m).

13 INVENTORIES

	2017	2016
	£000	£000
Raw materials and consumables	1,038	1,036
Work in progress	103	74
Finished goods	606	268
	<u>1,747</u>	<u>1,378</u>

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

In the year ended 30 April 2017 a total of £3,837k (2016: £3,208k) of inventories were consumed and charged to the Income Statement as an expense.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

14 TRADE AND OTHER RECEIVABLES

	2017	2016
	£000	£000
Trade receivables	1,700	1,301
Other receivables	98	61
Prepayments	133	132
	<u>1,931</u>	<u>1,496</u>

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

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

	2017	2016
	£000	£000
Impairment provision as at 1 May 2016	22	29
Increase/(decrease) in provision	31	(7)
Provision as at 30 April 2017	<u>53</u>	<u>22</u>

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 age of financial assets past due but not impaired is as follows:

	2017	2016
	£000	£000
Less than 1 month	671	706
More than 1 month but not more than 3 months	329	466
More than 3 months but not more than 6 months	176	89
More than 6 months but not more than 1 year	14	21
More than 1 year	14	19
	<u>1,204</u>	<u>1,301</u>

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

15 CASH AND CASH EQUIVALENTS

	2017	2016
	£000	£000
Cash at bank and in hand	<u>2,355</u>	<u>1,708</u>

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

16 TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Trade payables	888	718
Social security and other taxes	158	175
Other payables	350	238
Accruals and deferred income	465	200
Contingent consideration	1,367	-
	<u>3,228</u>	<u>1,331</u>

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

Trade and other payables non-current

Contingent consideration (note 28)	<u>-</u>	<u>116</u>
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17 LEASE LIABILITIES

The Group's motor fleet, a number of computers and a leasehold property in Portugal are held under finance lease arrangements. The net carrying amount of the assets held under leases is £83k (2016: £44k).

	Within 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
30 April 2017				
Gross lease payments	43	47	-	90
Future interest	(4)	(3)	-	(7)
Net present values	<u>39</u>	<u>44</u>	<u>-</u>	<u>83</u>
30 April 2016				
Gross lease payments	24	23	-	47
Future interest	(1)	(2)	-	(3)
Net present values	<u>23</u>	<u>21</u>	<u>-</u>	<u>44</u>

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

18 PROVISION FOR WARRANTIES

	2017 £000	2016 £000
As at 1 May 2016	18	18
Provided for in year (net)	1	-
Warranty provision as at 30 April 2017	<u>19</u>	<u>18</u>

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.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

19 BORROWINGS

Borrowings are repayable as follows:

	2017 £000	2016 £000
Within one year		
Bank finance	215	378
Finance leases	39	23
	<u>254</u>	<u>401</u>
After one and within five years		
Bank finance	896	264
Other loan	-	50
Finance leases	44	-
	<u>940</u>	<u>314</u>
Total borrowings	<u>1,194</u>	<u>587</u>

Bank finance relates to amounts drawn down under the Group's invoice discounting facility (£nil (2016: £128k)) and bank loans (£1,111k (2016: £514k)), secured by a fixed and floating charge over the Group's undertakings.

A bank loan was taken out to finance the acquisition of Astles Control Systems Limited, is repayable in monthly instalments and attracts interest at a rate of 4% over NatWest base rate. The loans taken out (a) to acquire Opus Instruments Limited and (b) Sentek Limited have been rolled into this loan as it offers a more attractive rate of interest compared to 6.1% and 5.95% payable on the previous respective loans.

20 SHARE CAPITAL

	2017 £000	2016 £000
Authorised		
1,000,000,000 (2016: 1,000,000,000) Ordinary shares of 1p each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
88,864,194 (2016 : 64,224,809) Ordinary shares of 1p each	<u>889</u>	<u>642</u>

During the year 24,615,385 Ordinary shares of 1p each at a market price of 13p were issued raising £3,200,000, £2,990,000 net (less share issue costs of £210k).

During the year 24,000 Ordinary shares of 1p were issued to a member of staff exercising his share options.

711,528 Ordinary shares (2016: 711,528) are held by the Synoptics Employee Benefit Trust and are reserved for providing employee benefits such as satisfying the exercise of share options.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

21 EARNINGS PER SHARE

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

	Profit/(loss) attributable to shareholders £000	Weighted average number of shares	Basic earnings/(loss) per share amount in pence
Year ended 30 April 2017	828	70,972,367	1.17
Year ended 30 April 2016	571	48,697,240	1.17

The calculation of the diluted earnings per share is based on the profits attributable to the shareholders of Scientific Digital Imaging plc divided by the weighted average number of shares in issue during the year, as adjusted for dilutive share options.

	Diluted earnings/(loss) per share amount in pence
Year ended 30 April 2017	1.14
Year ended 30 April 2016	1.15

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

	2017	2016
Weighted average number of ordinary shares used for basic earnings per share	70,972,367	48,697,240
Weighted average number of ordinary shares under option	1,645,000	885,877
Weighted average number of ordinary shares used for diluted earnings per share	<u>72,617,367</u>	<u>49,583,116</u>

22 OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

The Group	Investment in own shares £000
At 30 April 2017 and 30 April 2016	<u>85</u>

As at 30 April 2017 and 30 April 2016 the trust held 711,528 shares in Scientific Digital Imaging plc.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

23 OPERATING LEASES COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

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

Group	2017		2016	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
In one year or less	224	17	18	13
Between one and five years	672	24	257	13
Over five years	926	-	980	-
	<u>1,822</u>	<u>41</u>	<u>1,255</u>	<u>26</u>

Lease payments recognised as an expense during the year amount to £221k (2016: £178k).

Synoptics Limited have signed a rental contract for the office building rented from 28 September 2014 at Beacon House, Nuffield Road, Cambridge which expires in 28 September 2039.

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

Artemis CCD Limited has a lease on two office buildings at Lodge Farm Barns, New Road, Bawburgh, Norwich. The lease commenced on 1 May 2015 and expires on 30 April 2020. Artemis CCD Limited shall be entitled to terminate the lease 20 months and 40 months from the commencement date serving six months prior written notice.

Sentek Limited has a lease on three buildings at Crittal Drive, Springwood Industrial Estate, Braintree.

Contingent liabilities

Performance guarantees totalling £46k 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.

24 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

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

A £50k loan was provided by Dana Investment BV, a shareholder, in the prior year on conversion of the loan stock. This balance was repaid in the financial year.

Payments totalling £103k were made to Lawrence and Karen Robinson, shareholders, relating to the consideration for the acquisition of Opus Instruments Limited. A balance of £13k (2016: £116k) is outstanding at the year end.

A deferred consideration balance of £1,354k is outstanding at the year end relating to the acquisition of Astles Control Systems Limited.

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments

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

Interest rate risk

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

Currency risk

A significant proportion of the Group's assets are denoted in Dollars and Euros but only a small amount are within an entity with a differing functional currency. An adverse movement in exchange rate could lead to a devaluation of these assets. As at 30 April 2017 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £101k (2016: £18k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £17k (2016: £13k)

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	
	2017	2016
	£000	£000
US Dollars	72	348
Euros	55	13

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

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £4,286k (2016: £3,158k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

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

Liquidity risk

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.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

As at 30 April 2017, the Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £000	Between 6 and 12 months £000	Between 1 and 5 years £000	Later than 5 years £000
Trade and other payables	1,861	-	-	-
Borrowings	126	128	940	-
Contingent consideration	1,367	-	-	-

	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 2016				
Trade and other payables	1,331	-	-	-
Borrowings	272	129	314	-
Contingent consideration	58	58	-	-

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

26 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY IAS 39 CATEGORY

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

Balance sheet headings	Loans and other receivables	Non financial assets	Financial liabilities at amortised cost	Financial liabilities measured at fair value through profit and loss	Non financial liabilities	Total balance sheet heading
	2017 £000	2017 £000	2017 £000	2017 £000	2017 £000	2017 £000
Bank	2,355	-	-	-	-	2,355
Trade receivables	1,700	-	-	-	-	1,700
Other receivables	-	231	-	-	-	231
VAT and taxation	-	-	-	-	(386)	(386)
Bank finance – current	-	-	(215)	-	-	(215)
Bank finance – non current	-	-	(896)	-	-	(896)
Trade payables	-	-	(888)	-	-	(888)
Finance lease liability – current	-	-	(39)	-	-	(39)
Finance lease liability – non current	-	-	(44)	-	-	(44)
Other payables and accruals	-	-	(815)	-	-	(815)
Contingent consideration	-	-	-	(1,367)	-	(1,367)
Other loan	-	-	-	-	-	-
Total	4,055	231	(2,897)	(1,367)	(386)	(364)

Balance sheet headings	Loans and other receivables	Non financial assets	Financial liabilities at amortised cost	Financial liabilities measured at fair value through profit and loss	Non financial liabilities	Total balance sheet heading
	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000	2016 £000
Bank	1,708	-	-	-	-	1,708
Trade receivables	1,301	-	-	-	-	1,301
Other receivables	-	327	-	-	-	327
VAT and taxation	-	-	-	-	(325)	(325)
Bank finance - current	-	-	(378)	-	-	(378)
Bank finance- non current	-	-	(264)	-	-	(264)
Trade payables	-	-	(718)	-	-	(718)
Finance lease liability -current	-	-	(23)	-	-	(23)
Other payables and accruals	-	-	(439)	-	-	(439)
Contingent consideration	-	-	-	(116)	-	(116)
Other loan	-	-	(50)	-	-	(50)
Total	3,009	327	(1,872)	(116)	(325)	1,135

The fair values of the financial assets and liabilities at 30 April 2017 and 30 April 2016 are not materially different from their book values.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

27 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

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

	2017 £000	2016 £000
Capital		
Total equity	10,710	6,765
Less cash and cash equivalents	(2,355)	(1,725)
	<u>8,355</u>	<u>5,040</u>
Overall financing		
Total equity	10,710	6,765
Plus borrowings	1,194	587
	<u>11,904</u>	<u>7,352</u>
Capital-to-overall-financing ratio	<u>70.19%</u>	<u>68.55%</u>

28 FAIR VALUE MEASUREMENT

(a) Opus Instruments

	2017 £000	2016 £000
Contingent consideration re Opus acquisition – current	13	-
Contingent consideration re Opus acquisition – non current	-	116
	<u>13</u>	<u>116</u>

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

The provision for consideration of £13,000 is based on Opus achieving the revenue targets based upon current trading in the financial year ended 30 April 2017 and that the deferred consideration ceases in August 2017.

(b) Astles Control Systems

	2017 £000	2016 £000
Contingent consideration re Astles acquisition – current	1,354	-
Contingent consideration re Astles acquisition – non current	-	-
	<u>1,354</u>	<u>-</u>

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements For the year ended 30 April 2017

The fair value of contingent consideration was calculated based on management's assumptions regarding future performance. The consideration will be payable in August 2017

The provision for consideration of £1,354,000 is based on Astles Control Systems achieving profits before tax of £1.2m for the financial year ended 30 April 2017. The maximum amount payable is £1,354,000 should all the revenue targets be achieved and the minimum amount payable is £nil if profits before tax do not exceed £861,500..

29 BUSINESS COMBINATIONS

On 10 January 2017, the Company acquired the entire share capital of Astles Control Systems Limited, a company incorporated in England and Wales, for a consideration payable in cash and shares.

The assets and liabilities acquired were as follows:

	Book value £000	Fair Value adjustment £000	Fair Value £000
Assets			
Non-current assets			
Fixed assets	25	-	25
Intangible assets – trade names	-	66	66
Intangible assets – customer relationships	-	2,805	2,805
Total non-current assets	25	2,871	2,896
Current assets			
Stock	132		132
Debtors	363		363
Cash at bank	1,887		1,887
Liabilities			
Trade and other payables	(688)		(688)
Taxation – PAYE/NIC			
Taxation – VAT			
Taxation - Corporation tax			
Deferred tax liability			
Net assets acquired	1,719	2,871	4,590
Goodwill			1,929
Consideration and cost of investment			6,519
Fair value of consideration transferred			
Cash paid in year (3,346+1,650)			4,996
Share issued			100
Deferred assets			69
Deferred consideration			1,354
			6,519

Astles Control Systems Limited contributed £620k revenue and £280k (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 Astles Control Systems Ltd had been completed on the first day of the financial year, the impact on group revenues for the period would have been £2,289k and the impact on group profit would have been £1,166k (after management charges).

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the consolidated financial statements
For the year ended 30 April 2017

The goodwill of £1,929k arising from the acquisition primarily relates to expected future profitability and growth expectations

SCIENTIFIC DIGITAL IMAGING PLC

Report of the Independent Auditor on the Company Financial Statements

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

We have audited the financial statements of Scientific Digital Imaging plc for the year ended 30 April 2017 which comprise the company balance sheet, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

SCIENTIFIC DIGITAL IMAGING PLC

Report of the Independent Auditor on the Company Financial Statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the group financial statements of Scientific Digital Imaging plc for the year ended 30 April 2017.

Grant Thornton UK LLP

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
25 July 2017

SCIENTIFIC DIGITAL IMAGING PLC

**Company Balance Sheet
For the year ended 30 April 2017**

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	4	10,694	4,174
Intangible assets	5	18	28
		<u>10,712</u>	<u>4,202</u>
Current assets			
Debtors	6	829	4
Cash		396	530
		<u>1,225</u>	<u>534</u>
Creditors: amounts falling due within one year	7	<u>(2,013)</u>	<u>(637)</u>
Net current assets		<u>(788)</u>	<u>(103)</u>
Total assets less current liabilities		9,924	4,099
Creditors: amounts falling due after more than one year	8	<u>(3,650)</u>	<u>(1,043)</u>
Net assets		<u>6,274</u>	<u>3,056</u>
Capital and reserves			
Called up share capital	10	889	642
Share premium account		6,199	3,457
Other reserves		83	81
Merger relief reserve		424	424
Profit and loss account		<u>(1,321)</u>	<u>(1,548)</u>
Shareholders' funds		<u>6,274</u>	<u>3,056</u>

The financial statements were approved by the Board of Directors on 25 July 2017.


Ken Ford
Chairman


Mike Creedon
Chief Executive 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 period was £227,000, (2016: loss (£500,000))

SCIENTIFIC DIGITAL IMAGING PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2016

	Share capital	Merger reserve	Share premium reserve	Other reserves	Profit and loss account	Total
	£	£	£	£	£	£
At 1 May 2016	642	424	3,457	81	(1,548)	3,056
Shares issued	247	-	2,742	-	-	2,989
Share based payments	-	-	-	2	-	2
Transactions with owners	889	424	6,199	2	(1,548)	6,047
Profit for the year	-	-	-	-	227	227
Foreign exchange adjustment	-	-	-	-	-	-
At 30 April 2017	889	424	6,199	83	(1,321)	6,274
	Share capital	Merger reserve	Share premium reserve	Other reserves	Profit and loss account	Total
	£	£	£	£	£	£
At 1 May 2015	329	424	1,478	73	(1,041)	1,263
Shares issued	313	-	1,979	-	-	2,292
Share based payments	-	-	-	8	-	8
Transactions with owners	313	-	1,979	8	-	2,724
(Loss) for the year	-	-	-	-	(500)	(500)
Foreign exchange adjustment	-	-	-	-	(7)	(7)
At 30 April 2016	642	424	3,457	81	(1,548)	3,056

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements
For the year ended 30 April 2017

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

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 provision for impairment.

SHARE OPTIONS

Scientific Digital Imaging Plc regularly issues share options to employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the Profit and Loss account over the vesting period of the option. The amount to be expensed is determined by reference to the fair value of the options at the grant date adjusted for the number expected to vest. All current share options have been issued to staff at Synoptics Limited, Artemis Limited and Scientific Digital Imaging Plc. The expense relating to these options is recognised in the relevant 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.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements
For the year ended 30 April 2017

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:

	2017 £'000	2016 £'000
Emoluments	214	193
Pension	6	5
	<u>220</u>	<u>198</u>

During the period no directors exercised any 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 Remuneration Committee report on pages 16 to 17. The highest paid director aggregate entitlements were £130 k (2016:£104k). Company pension contributions of £5k (2015:£5k) were made to a money purchase scheme. As at 30 April 2017 the highest paid Director held a total of 385,000 share options (2016: 285,000 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 £23k in 2017 (2016: £19k), and share based payment charge was £8k in 2017 (2016: £8k).

Share based employee remuneration

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

A summary of options outstanding currently is as follows:

	2017		2016	
	Number of share options	Weighted Average Exercise price of options	Number of share options	Weighted Average Exercise price of options
Outstanding at the beginning of the year	881,000	£0.173	933,000	£0.177
Granted during the year	600,000	£0.175	100,000	£0.130
Adjustment to prior year	240,000	£0.130		
Expired during the year	(24,000)	£0.125	(152,000)	£0.173
Outstanding at the end of the year	<u>1,697,000</u>	<u>£0.168</u>	<u>881,000</u>	<u>£0.173</u>
Exercisable at the end of the year	<u>665,000</u>	<u>£0.174</u>	<u>713,000</u>	<u>£0.194</u>

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements For the year ended 30 April 2017

The share options at the end of the year have a weighted average remaining contractual life of 7 years (2016: 4.9 years). The range of exercise prices for the outstanding options is £0.125 to £0.3225.

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

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

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

The share based payment expense for the Company totalled £2k (2016: £8k).

3 AUDITORS' REMUNERATION

Auditors' remuneration attributable to the Company is as follows:

	2017 £'000	2016 £'000
Taxation compliance services/taxation advisory services	3	3
Fees payable to the company's auditor for the audit of the financial statements	<u>10</u>	<u>10</u>

4 INVESTMENTS

Investments in Group undertakings

	£'000
Cost and net book amount as at 1 May 2016	4,174
Additions	6,520
Cost and net book amount as at 30 April 2017	<u>10,694</u>

Details of the investments are as follows:

Subsidiary undertakings	Country of Incorporation	Holdings	Proportion of voting rights	Nature of Business
Synoptics Limited	England and Wales	Ordinary shares	100%	Manufacturer
Atik Cameras Limited, previously known as "Artemis CCD Limited"	England and Wales	Ordinary shares	100%	Design
Perseu Comercio De Equipamento Para Informatica E Astronomica SA	Portugal	Ordinary Shares	100%	Manufacturer
Opus Instruments Limited	England and Wales	Ordinary Shares	100%	Design and Manufacturer
Sentek Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements For the year ended 30 April 2017

Astles Control Systems Limited	England and Wales	Ordinary Shares	100%	Design and Manufacture
The following companies are all held by Synoptics Limited:				
Image Techniques of Cambridge Limited	England and Wales	Ordinary Shares	100%	Dormant
Myriad Solutions Limited	England and Wales	Ordinary Shares	100%	Dormant
Synoptics Inc	USA	Ordinary Shares	100%	Distributor

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

5 INTANGIBLE ASSETS

	2017 £'000
Cost at 30 April 2017 & 2016	<u>50</u>
Amortisation as at 1 May 2016	22
Charge for the year	<u>10</u>
Amortisation as at 30 April 2017	<u>32</u>
Net book value as at 30 April 2016	<u>28</u>
Net book value as at 30 April 2017	<u>18</u>

6 DEBTORS

	2017 £'000	2016 £'000
Inter-group debtors	810	4
Prepayments and accrued income	3	-
Other debtors	<u>16</u>	-
	<u>829</u>	<u>4</u>

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

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to other group companies	358	241
Trade creditors	-	1
Bank loans	215	250
Other creditors	1,422	121
Social security and other taxes	-	1
Accruals and deferred income	<u>18</u>	<u>23</u>

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements
For the year ended 30 April 2017

	<u>2,013</u>	<u>637</u>
8 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
	2017	2016
	£'000	£'000
Amounts owed to other group companies	2,754	729
Bank loans	896	264
Other loans	-	50
	<u>3,650</u>	<u>1,043</u>

9 BORROWINGS		
	2017	2016
	£'000	£'000
Amounts repayable in one year or less:		
Bank loans	215	250
In more than one year but not more than two years		
Bank loan	225	264
Other loan	-	50
In more than two years but not more than five years		
Bank loan	<u>671</u>	-
Loan	<u>1,111</u>	<u>564</u>

The bank loans are secured by a fixed and floating charge over the subsidiary undertakings. The bank loan taken out to finance the acquisition of Opus Instruments is repayable in monthly instalments and attracts interest at a rate of 6.10% above NatWest base rate. The bank loan taken out to finance the acquisition of Sentek Limited is payable in monthly instalments and attracts an interest at a rate of 5.95% above NatWest base rate.

10 CALLED UP SHARE CAPITAL		
	2017	2016
	£'000	£'000
Authorised		
1,000,000,000 Ordinary shares of 1p each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
2017: 88,864,194 (2016: 64,224,809) Ordinary shares of 1p each	<u>889</u>	<u>642</u>

During the year 23,846,155 ordinary shares of 1p each at a market price of 13p were issued raising £3,100,000 after share issue costs of £214,000, the net amount received was £2,886,000.

During the year 24,000 ordinary shares of 1p each were issued to a member of staff exercising his share options.

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

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements
For the year ended 30 April 2017

Share options

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

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

11 RELATED PARTY TRANSACTIONS

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

Payments totalling £103k were made to Lawrence and Karen Robinson, shareholders, relating to the consideration of Opus Instruments Limited. A balance of £13k (2016: £106k) is outstanding at the year end.

A deferred consideration balance of £1,354k is outstanding at the year end relating to the acquisition of Astles Control Systems Limited.

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

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments

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

Interest rate risk

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

Credit risk

The Company'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 £412k (2016: £530k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements
For the year ended 30 April 2017

Liquidity risk

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

As at 30 April 2017, the Company's financial liabilities have contractual maturities as summarised below:

	Current	Non-current		
	Within 6	Between 6	Between 1	Later than
	months	and 12	and 5	5 years
	£000	months	years	5 years
	£000	£000	£000	£000
Borrowings	106	109	896	-
Contingent consideration	1,367	-	-	-
	Current	Non-current		
	Within 6	Between 6	Between 1	Later than
	months	and 12	and 5	5 years
	£000	months	years	5 years
	£000	£000	£000	£000
As at 30 April 2016				
Trade and other payables	1	-	-	-
Borrowings	125	125	264	-
Contingent consideration	58	58	5	-

13 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company'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 Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet.

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

	2017	2016
	£000	£000
Capital		
Total equity	6,274	3,056
Less cash and cash equivalents	(396)	(530)
	5,880	2,526
Overall financing		
Total equity	6,274	3,056

SCIENTIFIC DIGITAL IMAGING PLC

Notes to the company financial statements
For the year ended 30 April 2017

Plus borrowings	<u>1,111</u>	<u>564</u>
	<u>7,385</u>	<u>3,620</u>
Capital-to-overall-financing ratio	<u>79.6%</u>	<u>69.8%</u>