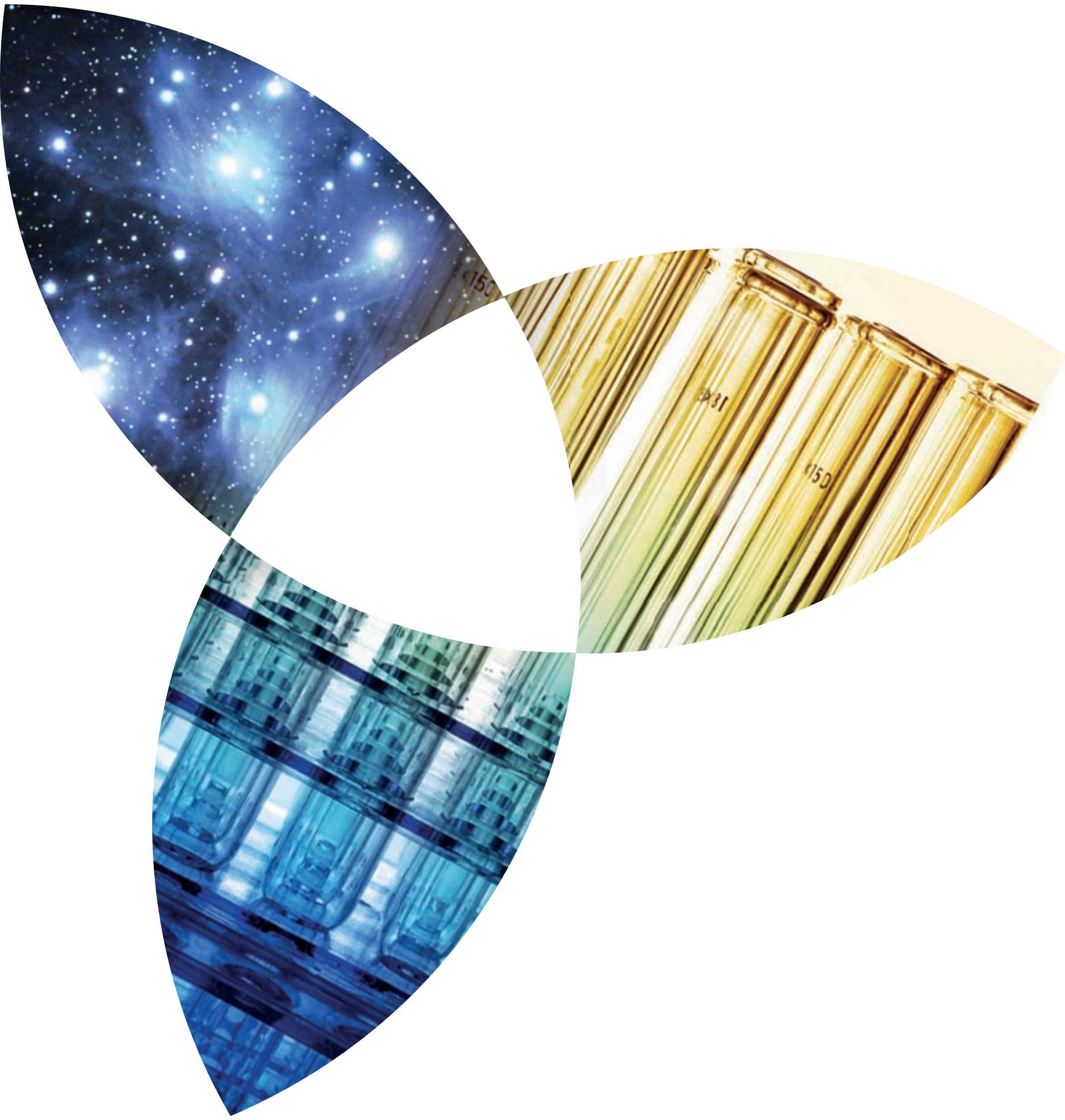
Annual Report and Accounts 2011
Scientific Digital Imaging plc



SCIENTIFIC DIGITAL IMAGING PLC

www.scientificdigitalimaging.com

COMPANY REGISTRATION NUMBER

6385396

REGISTERED OFFICE

Beacon House, Nuffield Road, Cambridge, CB4 1TF

DIRECTORS

H L Tee CBE (Chairman), J Gibbs (Deputy Chairman), Dr P Atkin, Dr A J B Simon (Non Executive Director), E K Ford (Non Executive Director), M Creedon (Acting Managing Director)

COMPANY SECRETARY

M Creedon

BANKERS

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

SOLICITORS

Mills & Reeve
Francis House, 112 Hills Road, Cambridge, CB2 1PH

AUDITOR

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

NOMINATED ADVISER AND BROKER

finnCap
4 Coleman Street, London, EC2R 5TA

REGISTRAR

Capita Registrars Ltd
Northern House, Woodsome Park, Fenay Bridge,
Huddersfield, HD0 0GA

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Our Highlights

Results for the year ended 30 April 2011

- Revenue **increased by 1.4% to £7.3m** (2010: £7.2m)
- Operating loss for the year was **£66k** (2010: profit £342k) before currency losses of £28k (2010: £23k)
- Expenditure on **research and development** in the current year was £368k representing 5.1% of Group sales (2010: £452k representing 6.3% of Group sales)
- Development of new software product, GeneSys for the Syngene range of products

Chairman's Statement

Despite very difficult trading conditions in which our customers have tended to reduce their spending on higher-value products, the Group saw increased revenues in the year but at much reduced margins. This resulted in a disappointing operating loss for the year.

FINANCIAL RESULTS

Turnover for the period rose marginally to £7.3m (2010: £7.2m), an increase of 1.4%. In particular sales into the emerging markets of India and China showed strong growth albeit at lower margins, resulting in a material change in mix.

The operating loss for the year was £94k (2010: profit £319k) inclusive of currency losses. Basic loss per share and diluted loss per share was 1.14p compared with 2010 which reported basic earnings per share of 1.67p and diluted earnings per share of 1.46p.

Operating activities resulted in a cash outflow (which included a payment of deferred commissions to an overseas agent) of £187k (2010: cash inflow £331k). The liability component of the convertible loan stock, issued to fund the Group's admission to AIM, stood at £360k at the end of the period, and total borrowings stood at £529k (2010: £422k). Cash and cash equivalents were £158k at the end of the period (2010: £762k). The Group's net cash position was reduced to a negative position of £371k during the year (2010: positive cash position £340k).

Despite the trading difficulties, SDI has continued to invest in the future with research and development spending £368k (2010: £452k). Research and development spend was 5.1% of sales revenue compared to 6.3% in 2010. These investments will bring benefits in future years.

STRATEGY

It is disappointing to report no successful acquisition completions during the year despite a great deal of effort and getting very close to completing two transactions in the period. Both these transactions were terminated after our due diligence was complete. The Board continues to believe that there are many small businesses operating within the market that present an ideal opportunity for consolidation, and that the 'buy and build' strategy is in the best interests of shareholders in the long term. However, market trends and trading results mean that our immediate efforts must now be focused on returning the Group to solid profitability, and consequently we do not anticipate being able to complete any transactions in the near term. We will nevertheless continue to establish and build the long-term relationships required, so that these can be capitalised upon when trading conditions recover.

REORGANISATION

In the light of the trading performance and current market conditions, the board has carried out a thorough review of the operations and structures of the group. Among other changes, Dr Phil Atkin, who was a founder of the company, has stepped down and Mike Creedon has been appointed Acting Managing Director. The primary focus is to return to profitability and improve the cash position.

CURRENT TRADING AND OUTLOOK

The global economic climate remains unstable and uncertain. For some time the Group's markets have remained relatively stable but in recent periods the effects of reduced government spending and consequent reductions in grants and research budgets have begun to take effect – a possibility of which we warned last year. The exceptions seem to be the developing markets of India and China where our margins have been historically lower, a matter that is being addressed. At Synoptics, customers are largely choosing to buy less expensive instruments with the consequential impact on margins. Atik, the camera company, has continued to grow its share of the amateur astronomy market and this success has offset the downturn in consumer spending.

Chairman's Statement

Currency exchange rates can have a significant impact on our performance due to the wide geographical distribution of our markets. Prices to our distributors outside the US are generally denominated in Pounds Sterling, but local exchange rates can nevertheless affect the competitiveness of our products in those markets.

The Board is cautious in the near term but confident that our products are "best in class" and that customers will return to more normal spending patterns when budgets are restored. The company's new products, particularly in the gel documentation field, show commitment to innovation and we believe they will capture a larger share of that market.

STAFF

On behalf of the Board I would like to thank all our staff who have worked diligently and with great commitment during a very difficult period. In particular I would like to thank Phil Atkin for his service to SDI since the company's inception.

H L Tee CBE
Chairman

26 July 2011

Members of the Board

HARRY TEE I CHAIRMAN

Harry Tee CBE joined the Board in 2008 and brings to SDI considerable experience of public and private companies. In 1994 he founded The Roxboro Group plc, now known as Dialight, which listed on the Official List of the London Stock Exchange and has grown organically and through acquisition to sales of £175 million per annum. He is now the non-executive chairman of Dialight plc.

Mr Tee is a recognised leader within the UK electronics industry and in 2005 formed and has recently retired as Chairman of The Electronics Leadership Council. He is a Fellow of the Institution of Engineering and Technology (FIET), a Fellow of the Royal Institution (FRI), a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce (FRSA) and a Companion of the Chartered Institute of Management (CCIM).

PHIL ATKIN I EXECUTIVE DIRECTOR

Phil Atkin was one of the three founders of Synoptics. He was instrumental in securing the initial funding for Synoptics and has been involved in the development of the business since incorporation. He was initially responsible for product research, design and development and served as Managing Director from 1997 until 2007, during which time he was instrumental in the reorientation of the company towards market-driven end-user products and the creation of the vertically orientated market divisions.

MIKE CREEDON I ACTING MANAGING DIRECTOR

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

KEN FORD I NON-EXECUTIVE DIRECTOR

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

JEREMY GIBBS I DEPUTY CHAIRMAN

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

ANN SIMON I NON-EXECUTIVE DIRECTOR

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

Operating Report

SYNOPTICS

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

Synoptics offers its products under three marketing brands, each targeting a different scientific discipline:

Syngene
Syngene provides instruments, software and systems for documenting and analysing ‘gels’ used by molecular biologists in genomic and proteomic studies and is the largest of the three Synoptics businesses. Almost all research in the biological sciences involves an understanding of the underlying molecular processes involving DNA, RNA and proteins, and gel electrophoresis is a fundamental process in many laboratories working in this area.

Whilst the range of applications addressed by Syngene is an essential part of almost every life sciences facility, the market has noticeably shifted its emphasis towards the lower end of the cost spectrum. Unfortunately, competition is more intense in this arena, with a consequent negative impact on the margins we can command.

The complexity of the instrumentation has increased steadily over the years, to the point where considerable expertise has been required to operate it. Syngene’s new GeneSys capture software, however, requires the scientist to specify only the application – the software configures and controls the instrument automatically to suit that application. It contains a large database of dyes, lights and filters, and can optimise the configuration of all these elements according to the experiment being performed. GeneSys, along with an enhanced range of G:Box darkroom and camera systems, was introduced to great acclaim at the Syngene international dealer meeting in September 2010.

Our new products are particularly strong in the area of imaging multiple fluorescent dyes, especially in the Infra-Red spectrum. Our equipment has been found to perform as well as other laser-based technologies and is more flexible in application, and we anticipate growing sales in this market.

Our performance in the Asia market has remained encouraging, and the Middle East region is also performing well. Europe and the UK, however, showed no growth. In the US we are pleased with the results of our continuing efforts to build the Syngene brand there, but recent cutbacks in government stimulus spending have had an impact on customer funding and consequently sales. We have strengthened our representation in the California region, where a number of our competitors are based.

Syncroscopy
The Syncroscopy division provides digital imaging software to microscope users. Its main product, a software package that allows customers to overcome the severely limited depth of field in an optical microscope, is principally sold by Leica Microsystems, a leading microscope manufacturer. The software is offered as an option, as part of Leica’s LAS software suite. During the period the software was significantly enhanced and improved, and released as part of a major update of LAS. Customers have been surprised and delighted by the improvement in the results and the reduced effort necessary to achieve them.

A long-term customer, the AntWeb project based at the California Academy of Sciences, has the ambition to collect images of every known species of ant. Brian Fisher, project leader, provided us with some excellent publicity information that was featured by the BBC and in the national press.

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

During the year the principal instrument, ProtoCOL 2, was enhanced through the addition of simpler, more ‘intelligent’ counting functions that make it even easier to set up and start counting, as well as introducing facilities supporting a wider range of sample types and the audit trails required for using the instrument in a regulated environment. These enhancements have had a positive impact on the sales channels and consequently on sales.

We have experienced increased demand from the zone measurement applications supported by ProtoCOL 2. In particular, sales to pharmaceutical laboratories in Asia for testing of antibiotic and vaccine efficacy have increased, and we are seeking to replicate this success elsewhere.

New developments
We have begun testing of new instruments that exploit our core technologies of fluorescence imaging and image analysis in a new area outside our traditional markets. We are working in partnership with University-based researchers to combine their IP with our own to address a significant hospital-based testing market. Preliminary results are encouraging.

ATIK

Atik, formed by the combination of the Artemis and Perseu companies following their acquisition in October 2008, designs and manufactures high-sensitivity cameras for deep-sky astronomical and life science imaging. It was acquired because of its strategic fit with the goals of SDI, the chance to achieve supply-chain integration of a key component of the Synoptics business, and because of its potential for growth in its astronomy market thanks to the quality of the principals.

Initially the cameras were designed with the needs of the amateur astronomer in mind: high sensitivity and low noise for imaging faint objects in the night sky. However, these criteria also make the cameras suitable for low-light applications in other scientific applications and they were chosen by Synoptics in 2007 to provide cameras for the high-end Syngene systems.

Atik grew well again this year, although this was not achieved without difficulties. In particular, the new high resolution, low cost camera introduced towards the end of last year proved difficult to manufacture and had to be withdrawn from sale for a period to minimise customer dissatisfaction. The problem was resolved successfully and the solution tested thoroughly before shipments resumed. The backlog of orders was cleared by the end of the period and the camera is now the best-selling unit of the range.

Significant work has been done in Quality Assurance by automating the process of testing cameras in production to reduce the time taken, remove subjectivity and increase the statistical and individual information retained.

Several new OEM relationships were established during the period. These generally have a long gestation period but some regular shipments of modified cameras have begun.

SUMMARY

At Synoptics, the Syngene has introduced new, innovative software for image capture and instrument automation. However, difficult trading conditions are affecting profitability and we are taking steps to address this.

Atik has made an increasing contribution to the Group thanks to both intra-group revenues to Synoptics and to growth in its amateur astronomy market.

Financial Review

GROUP SUMMARY

Group revenue for the year increased by 1.4% to £7.3m (2010: £7.2m).

Gross profit reduced by 4.7% to £4.1m (2010: £4.3m) due to customers purchasing lower end product because of restricted budget spend. Additionally the Group sales mix changed towards the emerging markets of India and China markets producing strong sales growth but at a lower margin.

Operating loss for the year was £66k (2010: profit £342k) before currency losses of £28k (2010: £23k)

INVESTMENT IN R&D

Expenditure on research and development in the current year was £368k, representing 5.1% of Group sales (2010: £452k representing 6.3% of Group sales). Under IFRS we are required to capitalise certain development expenditure and in the year ending 30 April 2011 £252k of cost capitalised and added to the balance sheet. This expenditure represents the Group's investment in new product development. The amortisation charge for 2011 was £198k (2010: £104k). The carrying value of the capitalised development at 30 April 2011 was £460k (2010: £406k) to be amortised over three years.

EARNINGS PER SHARE

Basic loss per share for Group were 1.14p (2010: earnings 1.67p), diluted loss per share for the Group were 1.14p (2010: earnings 1.46p).

FINANCE COSTS AND INCOME

Net financing expense was £68k (2010: £62k). Loan stock interest charges for the year were £34k (2010: £34k). Loan stock of £379k was issued in July 2008.

TAXATION

The tax expense of £40k is due to deferred tax expenses in the Group and the additional deduction for R & D expenditure.

CASH FLOW

At the year end the Group had a cash balance of £158k (2010: £762k).

CURRENCY TRANSLATION

The results for the Group's overseas businesses are translated into Pounds Sterling at the average exchange rates for the relevant year as rates had not fluctuated significantly. The balance sheets of overseas businesses are translated into Pounds Sterling at the relevant exchange rate at the year end. Any exchange gains or losses from translating these items from one year to the next are recorded in other comprehensive income.

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

FUNDING AND DEPOSITS

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

SUMMARY

For the fifth consecutive year the Group has increased its revenues and continues to invest in the future with research and development spend at £368k (2010: £452k).

Report of the Directors

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

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

The Chairman's Statement, Operating Report and Financial Review, which appear on Pages 3 to 8, give an overview of the performance of the Group during the year and likely future developments.

KEY PERFORMANCE INDICATORS

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

GROUP RESULTS

The Group loss for the year after taxation amounted to £202k (2010: profit £276k) and has been transferred to reserves.

The Board does not recommend the payment of a dividend.

DIRECTORS

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

H Tee CBE

P Atkin (resigned as a director effective 31 August 2011)

M Creedon (appointed as a director on 24 May 2010)

E K Ford

J Gibbs

Dr A Simon

The interests of the Directors and their families in the share capital of the Company are shown in the Remuneration report on page 15.

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

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

Report of the Directors

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 2010, the Directors were given the power to:

- Arrange for the Company to purchase its own shares in the market up to a limit of 15% of its issued share capital;
- Allot ordinary shares up to an aggregate nominal value of £100,000
- Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £50,000.

SUBSTANTIAL SHAREHOLDINGS

	Number of shares	Percentage of the issued class of share capital
Dana Investments BV	3,163,160	16.93%
BP Pension Fund	1,543,648	8.26%
S Chambers (J M Finn Nominees)	1,243,000	6.65%
AXA Equity and Law Life Assurance Society plc	1,209,704	6.48%
R J Howard	1,195,152	6.40%
H L Tee	896,000	4.80%
P Atkin	894,754	4.79%
Synoptics Employee Benefit Trust	711,528	3.81%
R Tripa	666,500	3.57%
Dr. W O Saxton	649,992	3.48%
P Burton	621,040	3.32%

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

STRUCTURE OF SHARE CAPITAL

As at 30 April 2011 the Company's authorised share capital of £10,000,000 comprised 1,000,000,000 ordinary share of 1p each.

As at 30 April 2011 the Company had 18,682,342 (2010: 18,015,842) ordinary shares in issue with a nominal value of 1p each.

EMPLOYEE INVOLVEMENT

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

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

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the Company's policy, which is also that applied to the Group, to agree payment terms with suppliers when agreeing the terms of a transaction, to ensure that both parties are aware of these terms. Group trade payables at the year end amounted to 69 days (2010: 74 days) of average supplies.

Report of the Directors

GOING CONCERN

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

PRINCIPAL RISKS AND UNCERTAINTIES

Risk is an inherent part of doing business. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management. Risk management policies are constantly reviewed, taking into account market conditions and the Group activities. The Group faces the competitive and strategic risks that are inherent in doing business. Further information on those risks and how they are managed by the Group is set out below and Note 25 'Risk management objectives and policies.

- Failure to effectively manage our distributors of products could damage customer confidence and adversely affect our revenues and profits. The Group has a team dedicated to maintaining close relationships with our distributors.
- Competition from direct competitors or third party technologies could impact upon our market share and pricing. In response to this risk the Group continues to invest in researching its markets and to continues to offer products to changing customer preferences.
- The contribution made by the Group's highly skilled and dedicated staff has been and will continue to be important to the Group's future. The Board of Directors places great emphasis on open communication with employees including regular staff meetings. There is also share ownership schemes and profit share arrangements for all employees, with rewards based on seniority within the business.
- Failure to manage our relationships with third party suppliers for raw materials could adversely affect our ability to maintain constant supply of finished goods. The Group has many suppliers and has relationships with many of them for several years with growing levels of sales, which makes this less likely. The Group regularly reviews its suppliers pricing with competitors therefore a loss of supplier could be replaced with a competing supplier.
- If third parties claim that we infringe their intellectual property rights our revenue and profits may be adversely impacted. The Group does not protect its products through intellectual property rights as the market is not typically protected by intellectual property rights.
- IT infrastructure needs to be robust, efficient and scaleable in order to manage growth. The Group invests extensively in its IT systems from a scalability and security point of view,
- The Group's activities involve importing and exporting its products across many international borders. Any changes to the regulations covering such movements might have an effect on the Group's trading activities. The Group closely monitors any changes to international import and export regulations and seeks to adapt its procedures wherever possible to ensure that the movement of its products is not affected, whilst maintaining compliance with such regulations.
- Failure to effectively manage our working capital could adversely affect our cash flow. In response to this risk cash is measured weekly with a full flow of funds reviewed monthly against target and budget.

GENERAL ECONOMIC CONDITIONS

A continuing slowdown in economic conditions globally could have a material effect on sales and on operating margins. Management monitors feedback from distributors so as to become aware of market trends.

The current adverse economic conditions may cause both private and public organisations to reduce and/or defer their capital spending budgets which may impact on sales of our products.

COMPETITIVE ENVIRONMENT

The digital imaging sector is competitive and evolving rapidly and there exists a threat that existing competitors or potential new entrants could take market share.

Report of the Directors

RESEARCH AND DEVELOPMENT (R & D)

The Group undertakes R & D in areas related to its principal activities and this is discussed in the Financial Review on page 8. If the Group decides to cease projects the whole amount of R & D capitalised is written back to profit or loss.

INTELLECTUAL PROPERTY

The Group's ability to compete successfully will depend on its ability to protect its proprietary technology. As part of its trade secrets protection policies, the Group tries to limit access to, and distribution of, its software, related documentation and other proprietary information. The failure of the Group to protect its proprietary information and/or the expense of doing so could have a material adverse effect on its operating results and financial condition.

PRODUCT WARRANTY CLAIMS

If a product of the Group does not conform to agreed specifications or is otherwise defective, the Group may be subject to claims by its customers arising from product defects or related claims. The Group carries product liability insurance.

FINANCIAL MARKETS

Recent turmoil in global financial markets could pose risks to the financial position of both our customers and suppliers and also to the ability of the Group to renegotiate bank facilities.

Customers are subject to credit checks and there is close review of trade receivables, days outstanding and overdue amounts.

There are ongoing reviews of supplier bases to ensure wherever possible that there is not over-reliance on one specific supplier.

The Group has built up a long standing relationship with the principal Group banker. Currently the Group has an invoice discounting facility in use with a balance at 30 April 2011 of £116k (2010: nil). Regular contact is kept with the banks to ensure that they understand the business and its requirements.

CURRENCY RATE RISK

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

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

ACQUISITION STRATEGY

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

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

AUDITOR

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

On behalf of the Board

M Creedon
Acting Managing Director

Corporate Governance Statement

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

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

The Board

From May 2010 the Board comprised the Chairman, two Executive Directors and three Non-Executive Directors following the appointment in May 2010 of Mike Creedon as Chief Financial Officer. Mr Gibbs, a Non-Executive Director is an advisor to the Group's major shareholder and is not considered to be independent. The remaining Non-Executive Directors are considered to be independent, provide a solid foundation for good corporate governance for the Group, and ensure that no individual or group dominates the Board's decision making process. The Non-Executive Directors are independent of management and are free from any relationship which could affect the exercise of their independent judgement. Each Non-Executive Director continues to demonstrate that he has sufficient time to devote to the Company's business.

The Non-Executive Directors constructively challenge and assist in developing the strategy of the Group. They scrutinise the performance of management against the Group's objectives and also monitor the reporting of performance. The Board is provided with regular and timely information on the financial performance of businesses within the Group, and 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 the Acting Managing Director. 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 Acting Managing Director. The Acting Managing Director 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 Acting Managing Director is also responsible for ensuring that the Group has in place appropriate risk, management and control mechanisms.

The Board is collectively responsible for the performance of the Company and is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities is given on page 17 and a statement on going concern is given on page 11.

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

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

Board Committees

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

REMUNERATION COMMITTEE

Details of the Remuneration Committee can be found in the Directors' remuneration report on pages 15-16.

Corporate Governance Statement

AUDIT COMMITTEE

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

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

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

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

AUDIT INDEPENDENCE

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

INTERNAL CONTROL

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

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

- **Management Structure.** The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. The Chief Executive has been given responsibility for specific aspects of the Group's affairs. The Chief Executive also meets regularly with the Managing Directors and management teams of the subsidiary businesses.
- **Quality and integrity of personnel.** The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment.
- **Financial information.** There is a comprehensive budgeting and forecasting system. Each year the Board approves the annual budget. Key risk areas are identified and reported to the Board. Performance is monitored on a monthly basis against budget and the prior year and relevant actions identified.

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

  The Chief Executive prepares a monthly report for the Board on key developments, performance and issues in the businesses.
- **Audit Committee.** The Audit Committee monitors, through reports to it by the external Auditors, the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by these reports.

Directors' Remuneration Report

REMUNERATION STRATEGY

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

REMUNERATION COMMITTEE

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

REMUNERATION POLICY

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

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

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

BASIC SALARY AND BENEFITS

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

DIRECTORS' REMUNERATION AND PENSION ENTITLEMENTS

The remuneration of the Directors is set out below:

	Salary / Fees £000	Taxable Benefits £000	Pension £000	2011 Total £000	2010 Total £000
H L Tee	32	-	-	32	32
P Atkin	121	1	5	127	125
J Gibbs	16	-	-	16	20
K Ford	16	-	-	16	3
A Simon	16	-	-	16	3
A Vaisey	-	-	-	-	26
M Creedon	94	-	-	94	-
	295	**1**	**5**	**301**	**209**

Directors' Remuneration Report

The aggregate emoluments and amounts receivable for the highest paid director were £122k (2010: £120k). Company pension contributions of £5k (2010: £5k) were made to a money purchase scheme on his behalf and as at 30 April 2011. He held a total of 160,000 share options. No share options were exercised during the year.

135,000 share options were granted to M Creedon during the year. No share options were exercised by any director in the year.

DIRECTORS' BENEFICIAL INTERESTS

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

	2011 Number	2010 Number
H L Tee	896,000	896,000
P Atkin	894,754	894,754
A Vaisey	-	50,000
K Ford	75,000	-
M Creedon	2,000	-

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

On 28 July 2011 M Creedon purchased 2,000 shares in the Company.

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:

	2011 Number	2010 Number
P Atkin	160,000	160,000
M Creedon	135,000	-

SERVICE CONTRACTS

The service contract with P Atkin, dated 17 November 2008, includes a notice period of twelve months if given by the Company during the two years following admission to AIM and six months thereafter, and six months if given by P Atkin. There are no predetermined provisions for compensation on termination of the Chief Executive's service contract that exceed 12 months' emoluments.

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

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

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

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

Directors' Responsibilities

DIRECTORS' RESPONSIBILITIES

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

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

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

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

In so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

By order of the Board

H L Tee CBE
Chairman

26 July 2011

M J Creedon
Acting Managing Director

26 July 2011

Report of the Independent Auditor

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

We have audited the consolidated financial statements of Scientific Digital Imaging plc for the year ended 30 April 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flow, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the parent company financial statements of Scientific Digital Imaging plc for the year ended 30 April 2011.

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

26 July 2011

Consolidated Income Statement
for the year ended 30 April 2011

	Note		2011 £000		2010 £000
Revenue	5		7,287		7,186
Costs of sales			(3,197)		(2,894)
Gross Profit			**4,090**		**4,292**
- currency exchange (losses)		(28)		(23)	
- administrative expenses		(4,156)		(3,950)	
Total administrative expenses			(4,184)		(3,973)
Operating (loss)/profit			(94)		319
Finance income		-		3	
Finance payable and similar charges	8	(68)		(65)	
Net financing expenses			(68)		(62)
(Loss)/Profit before tax	6		**(162)**		**257**
Income tax expense/ (credit)	9		40		(19)
(Loss)/Profit for the year			**(202)**		**276**
Earnings per share					
Basic (loss)/earnings per share	21		(1.14p)		1.67p
Diluted (loss)/earnings per share	21		(1.14p)		1.46p

All activities of the Group are classed as continuing.

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

Consolidated Statement of Comprehensive Income

for the year ended 30 April 2011

	2011 £000	2010 £000
(Loss)/Profit for the period	**(202)**	**276**
Other comprehensive income		
Exchange differences on translating foreign operations	(55)	(12)
Total comprehensive (loss)/ income for the period	**(257)**	**264**

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

Consolidated Balance Sheet
for the year ended 30 April 2011

	Note	2011 £000	2010 £000
Assets			
Intangible assets	10	764	742
Property, plant and equipment	11	416	325
Deferred tax asset	12	113	154
		1,293	1,221
Current assets			
Inventories	13	781	680
Trade and other receivables	14	1,404	1,377
Cash and cash equivalents	15	158	762
		2,343	2,819
Total assets		**3,636**	**4,040**
Liabilities			
Non-current liabilities			
Borrowings	19	397	402
Deferred tax liability	12	148	122
		545	524
Current liabilities			
Trade and other payables	16	1,054	1,306
Provisions for warranty	18	17	13
Borrowings	19	132	20
Current tax payable		-	39
		1,203	1,378
Total liabilities		**1,748**	**1,902**
Net assets		**1,888**	**2,138**
Equity			
Share capital	20	187	180
Merger reserve		2,606	2,606
Share premium account		260	187
Own shares held by Employee Benefit Trust	22	(85)	(85)
Other reserves		176	264
Foreign exchange reserve		(52)	3
Retained earnings		(1,204)	(1,017)
Total Equity		**1,888**	**2,138**

The financial statements were approved by the Board of Directors on 26 July 2011

H L Tee CBE
Chairman

26 July 2011

M J Creedon
Acting Managing Director

26 July 2011

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

Consolidated Statement of Cashflow

for the year ended 30 April 2011

	2011 £000	2010 £000
Operating activities		
(Loss)/Profit for the year	(202)	276
Depreciation and amortisation	379	295
Profit on sale of property, plant and equipment	-	(5)
Finance costs and income	68	62
Taxation (credit)/expense in the income statement	40	(19)
Decrease/ (increase) in inventories	(101)	(178)
Increase in provisions	4	-
Exchange difference	(24)	(5)
Employee share based payments	7	15
Operating cash flows before movement in working capital	**171**	**441**
Changes in trade and other receivables	(14)	(142)
Changes in trade and other payables	(252)	140
Cash generated from operations	**(95)**	**439**
Interest paid	(60)	(53)
Income taxes (paid) / received	(32)	(55)
Cash generated from operating activities	**(187)**	**331**
Investing activities		
Capital expenditure	(342)	(168)
Expenditure on development	(252)	(176)
Sale of property, plant and equipment	102	54
Interest received	-	3
Net cash used in investing activities	**(492)**	**(287)**
Financing activities		
Capital element of finance leases	(17)	(41)
Bank borrowing proceeds	116	-
Issues of shares and warrants	-	2
Net cash from financing	**99**	**(39)**
Net changes in cash and cash equivalents	**(580)**	**5**
Cash and cash equivalents, beginning of year	**762**	**757**
Foreign currency movements on cash balances	**(24)**	**-**
Cash and cash equivalents, end of year	**158**	**762**

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

Consolidated Statement of Changes in Equity

for the year ended 30 April 2011

	Share Capital £000	Merger Reserve £000	Foreign exchange £000	Share premium £000	Own shares held by EBT £000	Other Reserves £000	Retained earnings £000	Total £000
Balance at 30 April 2010	**180**	**2,606**	**3**	**187**	**(85)**	**264**	**(1,017)**	**2,138**
Shares issued as deferred payment	7	-	-	73	-	(80)	-	-
Deferred tax on options	-	-	-	-	-	(15)	15	-
Share based payments	-	-	-	-	-	7	-	7
Transactions with owners	**7**	**-**	**-**	**73**	**-**	**(88)**	**15**	**7**
Loss for the year	-	-	-	-	-	-	(202)	(202)
Foreign exchange on consolidation of subsidiaries	-	-	(55)	-	-	-	-	(55)
Total comprehensive income for the period	**-**	**-**	**(55)**	**-**	**-**	**-**	**(202)**	**(257)**
Balance at 30 April 2011	**187**	**2,606**	**(52)**	**260**	**(85)**	**176**	**(1,204)**	**1,888**

	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 2009	**167**	**2,606**	**15**	**38**	**(85)**	**399**	**(1,293)**	**1,847**
Shares issued as deferred payment	13	-	-	147	-	(160)	-	-
Deferred tax on options	-	-	-	-	-	10	-	10
Share based payments	-	-	-	-	-	15	-	15
Share options exercised	-	-	-	2	-	-	-	2
Transactions with owners	**13**	**-**	**-**	**149**	**-**	**(135)**	**-**	**27**
Profit for the year	-	-	-	-	-	-	276	276
Foreign exchange on consolidation of subsidiaries	-	-	(12)	-	-	-	-	(12)
Total comprehensive income for the period	**-**	**-**	**(12)**	**-**	**-**	**-**	**276**	**264**
Balance at 30 April 2010	**180**	**2,606**	**3**	**187**	**(85)**	**264**	**(1,017)**	**2,138**

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

Notes to the Consolidated Financial Statements

for the year ended 30 April 2011

1 REPORTING ENTITY

Scientific Digital Imaging plc, a public limited company, is the Group's ultimate parent. It is registered in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in Note 5 to the Company Financial Statements

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and as applied with the provisions of the Companies Act 2006.

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

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

Accounting judgements and estimates

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

Judgements

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

Estimates

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

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

Intangibles – development costs

The Group is required to capitalise any development costs that meet the criteria as per IAS 38. Significant assumptions are made in categorising development costs and in estimating the future profits expected from the development. Changes in these assumptions could affect the value of costs capitalised and hence the amount charged to the income statement.

Impairment of goodwill and intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows and a number of assumptions have been made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate in order to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 10. The carrying amount of goodwill for this and prior year was £170k. Other intangibles had a carrying amount of £134k (2010: £166k).

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 2011 is £113k (2010: £154k) of which £98k (2010: £101k) relates to trading losses.

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2010.

Basis of consolidation

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

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

Business combinations

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

Foreign currency

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

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

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

Property, plant and equipment

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

The estimated useful lives are as follows:

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

Goodwill

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

Research and development

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

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

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

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

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

Other intangible assets

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

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

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

Impairment

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

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

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

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

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

Equity

Equity comprises the following:

- **"Share capital"** represents the nominal value of equity shares.
- **"Merger reserve"** represents the difference between the parent company's cost of investment and the subsidiary's share capital and share premium where a group reorganisation qualifies as a common control transaction.
- **"Share premium account"** represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- **"Foreign exchange reserve"** represents the differences arising from translation of investments in overseas subsidiaries.
- **"Own shares held by Employee Benefit Trust"** represents shares held in trust for the benefit of employees.
- **"Other reserve"** represents equity-settled share-based employee remuneration until such share options are exercised, deferred shares to be issued as consideration for the acquisitions between 12 and 48 months from the date of acquisition, and the equity component of the convertible loan stock.
- **"Retained earnings"** represents retained profits.

Contributions to pension schemes

Defined Contribution Scheme

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

Financial assets

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

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

Financial liabilities

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

Financial instruments

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

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

Compound instruments

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

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

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

Revenue recognition

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

Leased assets

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

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

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

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

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

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

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

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

Segment reporting
A segment is a distinguishable component of the Group as reported internally and reviewed by the Board and chief operating decision maker.

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

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

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

Share based payments

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

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

4 STANDARDS AND INTERPRETATIONS CURRENTLY IN ISSUE BUT NOT YET EFFECTIVE

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

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)

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

5 SEGMENT ANALYSIS

Management consider that there is a single operating segment being the supply of digital imaging equipment, encompassing Syngene, Synbiosis, Syncroscopy and Atik therefore business segmental analysis is not relevant.

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	**2011 £000**	**2010 £000**
United Kingdom (country of domicile)	701	678
Germany	571	546
Rest of Europe	1,756	1,790
USA	2,457	2,349
Hong Kong	679	580
Rest of Asia	909	966
Rest of World	214	277
	7,287	**7,186**

Non-current assets by location	2011 £000	2010 £000
United Kingdom	927	893
Portugal	74	115
USA	179	59
	1,180	**1,067**

6 (LOSS)/PROFIT BEFORE TAX

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

	2011 £000	2010 £000
Amortisation on other intangibles (Note 10)	32	32
Depreciation charge for year:		
Property, plant and equipment	125	120
Property, plant and equipment held under finance leases	24	38
(Profit) / loss on disposal of property, plant and equipment	-	(5)
Research and development costs:		
Expensed as incurred	368	452
Amortisation charge	198	104
Auditor's remuneration Group:		
Audit of Group accounts	33	33
Fees paid to the auditor and its associates in respect of other services:		
Audit of Company's subsidiaries	3	7
Tax services	4	6
Other services	8	25
Currency exchange losses and (gains)	**23**	**28**
Rental of land and buildings	**113**	**102**

7 DIRECTORS AND EMPLOYEES REMUNERATION

Staff costs during the year were as follows:	2011 £000	2010 £000
Wages and salaries	2,353	2,141
Social security costs	236	256
Share based payments	7	15
Other pension costs	71	64
	2,667	**2,476**

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

The average number of employees of the Group during the year was:	**2011 Number**	**2010 Number**
Administration	8	7
Production	17	17
Product development	12	12
Sales and marketing	13	1
	50	**48**

The remuneration of the Directors is set out below:	**Salary / Fees £000**	**Taxable Benefits £000**	**Pension £000**	**2011 Total £000**	**2010 Total £000**
H L Tee	32	-	-	32	32
J Gibbs	16	-	-	16	20
P Atkin	121	1	5	127	125
A Vaisey	-	-	-	-	26
A Simon	16	-	-	16	3
K Ford	16	-	-	16	3
M Creedon	94	-	-	94	-
	295	**1**	**5**	**301**	**209**

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £122k (2010: £120k). Company pension contributions of £5k (2010: £5k) were made to a money purchase scheme on his behalf and as at 30 April 2011 he held a total of 160,000 share options.

M Creedon was granted 135,000 share options during the year.

The remuneration for key management (including executive directors) is as follows:	**2011 £000**	**2010 £000**
Wages and salary	744	616
Social security costs	52	53
Pension	20	23
Share based payments	7	8
Other taxable benefits	16	15
	839	**715**

Share based employee remuneration

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

A summary of options outstanding currently is as follows:	2011		2010	
	Number of share options	Exercise price of options	Number of share options	Exercise price of options
Outstanding at the beginning of the year	1,060,680	£0.125	1,199,760	£0.125
Granted during the year	143,000	£0.215	-	-
Exercised during the year	-	-	(19,000)	£0.125
Expired during the year	-	-	(120,080)	£0.125
Outstanding at the end of the year	**1,203,680**	**£0.129**	**1,060,680**	**£0.125**
Exercisable at the end of the year	**524,680**	**£0.125**	**524,680**	**£0.125**

The share options at the end of the year have a weighted average remaining contractual life of 4.4 years (2010: 4.2 years)

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

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

	2011
Risk-free interest rate	4.2%
Expected volatility	30%
Expected option life in years	10 years
Expected dividend yield	Nil
Weighted average share price	19.4p
Weighted average exercise price	21.5p
Weighted average fair value of options granted	1.0p

Expected volatility was determined by calculating the historical volatility of the Group'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 £7k (2010: £15k).

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 £71k (2010: £64k).

	2011 £000	2010 £000
Current pension obligations included in liabilities	10	10

8 FINANCE COSTS

	2011 £000	2010 £000
Bank overdraft, invoice discounting and loan	23	11
Finance leases and hire purchase contracts	3	12
Loan stock	34	34
Other debt finance costs	8	8
	68	**65**

9 TAXATION

	2010 £000	2009 £000
Corporation tax:		
Corporation tax due	4	84
Current year R & D claim	(13)	-
Prior year R & D claim	(11)	-
	(20)	84
Deferred tax expense/(credits)	60	(103)
Income tax charge/ (credit)	**40**	**(19)**

Reconciliation of effective tax rate

	2011 £000	2010 £000
(Loss)/ Profit on ordinary activities before tax	(162)	257
(Loss)/ Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28% (2010: 28%)	(45)	72
Effects of:		
Expenses not deductible for tax purposes	42	10
Additional deduction for R&D expenditure	(49)	(44)
R & D tax credits	(24)	-
Transferred (from) / to tax losses	114	(57)
Adjustment to tax charge in respect of previous period	2	-
	40	**(19)**

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

10 INTANGIBLE ASSETS

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

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

	Other Intangibles £000	Goodwill £000	Development costs £000	Total £000
Cost				
At 1 May 2009	216	170	600	986
Additions	-	-	176	176
At 30 April 2010	**216**	**170**	**776**	**1,162**
Amortisation				
At 1 May 2009	18	-	266	284
Amortisation for the year	32	-	104	136
At 30 April 2010	**50**	**-**	**370**	**420**
Net book amount at 30 April 2010	**166**	**170**	**406**	**742**
Net book amount at 30 April 2009	198	170	334	702

The goodwill relates to the acquisition of Artemis CCD Ltd and Perseu SA. These subsidiaries have been treated as a single cash generating unit (Atik) for the purpose of calculating the recoverable amount of goodwill which is based on its value in use. The recoverable amount of the goodwill has been based on the budgeted cash flow for the unit, discounted at 20% over 5 years. The discounted cash flow assumes that the turnover of the unit will grow 5% each year over 5 years. This is the rate used in the prior year based on historic growth levels and anticipated growth in new markets. This is the key assumption at arriving at the value in use of this unit, however, if growth was assumed to be nil it would not cause the carrying value to exceed the recoverable amount. No significant risks identified this year indicate the discount rate is no longer appropriate

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

11 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £000	Computer equipment £000	Tools and other equipment £000	Furniture fixtures and fittings £000	Building and leasehold improvements £000	Total £000
Cost						
At 1 May 2010	94	240	777	121	126	1,358
Additions	-	5	333	3	1	342
Disposals	-	(141)	(186)	-	-	(327)
At 30 April 2011	**94**	**104**	**924**	**124**	**127**	**1,373**
Depreciation						
At 1 May 2010	58	213	582	117	63	1,033
Charge for year	19	16	108	2	4	149
Disposals	-	(141)	(84)	-	-	(225)
At 30 April 2011	**77**	**88**	**606**	**119**	**67**	**957**
Net book value						
At 30 April 2011	**17**	**16**	**318**	**5**	**60**	**416**
At 30 April 2010	36	27	195	4	64	325

	Motor vehicles	Computer equipment	Tools and other equipment	Furniture fixtures and fittings	Building and leasehold improvements	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 May 2009	92	222	761	119	127	1,321
Exchange adjustments	-	-	(10)	-	(1)	(11)
Additions	37	18	145	2	1	203
Disposals	(35)	(1)	(119)	-	-	(155)
At 30 April 2010	**94**	**239**	**777**	**121**	**127**	**1,358**
Depreciation						
At 1 May 2009	69	192	553	115	57	986
Exchange adjustments	-	-	(6)	-		(6)
Charge for year	24	22	105	2	6	159
Disposals	(35)	(1)	(70)	-	-	(106)
At 30 April 2010	**58**	**213**	**582**	**117**	**63**	**1,033**
Net book value						
At 30 April 2010	**36**	**26**	**195**	**4**	**64**	**325**
At 30 April 2009	23	30	208	4	69	334

The net book value of property, plant and equipment includes an amount of £55k (2010: £100k) in respect of assets held under finance leases and hire purchase contracts. Of this amount £37k (2010: £61k) relates to building and leasehold improvements, £17k (2010: £36k) relates to motor vehicles and £nil (2010: £3k) relates to computer equipment.

Depreciation on these assets is £2k (2010: £2k), £19k (2010: £24k) and £3k (2010: £12k) respectively.

12 DEFERRED TAX

	2011		2010	
	Deferred tax asset £000	Deferred tax liability £000	Deferred tax asset £000	Deferred tax liability £000
At 1 May 2010	154	(122)	23	(111)
Deferred tax on capitalised R & D	-	(32)	-	-
Tax losses utilised	(3)	-	101	-
Short term temporary differences	(17)	(2)	10	(20)
Charge on intangibles recognised on acquisition	-	8	-	9
Share based payments	(21)	-	20	-
At 30 April 2011	**113**	**(148)**	**154**	**(122)**

	2011		2010	
	Asset £000	Liability £000	Asset £000	Liability £000
Deferred tax on capitalised R & D	-	(115)	-	(83)
Other temporary differences	7	(10)	24	(8)
Deferred tax on acquisition intangibles	-	(23)	-	(31)
Trading losses recognised	98	-	101	-
Share based payments	8	-	29	-
	113	**(148)**	**154**	**(122)**

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 £444k (2010: £396k) in respect of losses. Total losses (provided and unprovided) totalled £2.2m (2010: £2.0m).

There were no unrecognised temporary differences.

13 INVENTORIES

	2011 £000	2010 £000
Raw materials and consumables	573	469
Work in progress	51	31
Finished goods	157	180
	781	**680**

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

In the year ended 30 April 2011 a total of £3,194k (2010: £2,913k) of inventories were consumed and charged to the Income Statement as an expense. In addition a total adjustment of £9k (2010: total adjustment £19k) was made resulting from the write down of inventories.

14 TRADE AND OTHER RECEIVABLES

	2011 £000	2010 £000
Trade receivables	1,134	1,148
Other receivables	214	150
Prepayments and accrued income	56	79
	1,404	**1,377**

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

	2011 £000	2010 £000
Impairment provision as at 1 May 2010	28	30
Impairment losses recognised	-	(3)
Decrease in provision	(10)	1
Provision as at 30 April 2011	18	28

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

	2011 £000	2010 £000
Less than 1 month	400	376
More than 1 month but not more than 3 months	197	7
More than 3 months but not more than 6 months	1	6
More than 6 months but not more than 1 year	28	26
More than 1 year	4	19
	630	434

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

15 CASH AND CASH EQUIVALENTS

	2011 £000	2010 £000
Cash at bank and in hand	**158**	**762**

16 TRADE AND OTHER PAYABLES

	2011 £000	2010 £000
Trade payables	604	588
Social security and other taxes	75	54
Other payables	206	628
Accruals and deferred income	169	36
	1,054	**1,306**

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

17 LEASE LIABILITIES

The Group's motor fleet, a number of computers and a leasehold property in Portugal are held under finance lease arrangements. The net carrying amount of the assets held under leases is £53k (2010: £70k).

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

30 April 2010	Within 1 year £000	1 to 5 years £000	Over 5 years £000	Total £000
Gross lease payments	23	36	20	79
Future interest	(3)	(4)	(2)	(9)
Net Present Values	**20**	**32**	**18**	**70**

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

18 PROVISION FOR WARRANTIES

	2011 £000	2010 £000
As at 1 May 2010	13	13
Provision utilised during the year	(9)	(3)
Provided for in year	13	3
Warranty provision as at 30 April 2011	**17**	**13**

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

19 BORROWINGS

Borrowings are repayable as follows:

	2011 £000	2010 £000
Within one year		
Bank finance	116	-
Finance leases	16	20
	132	20
After one and within five years		
Loan stock	360	352
Finance leases	27	32
	387	384
Over five years		
Finance leases	10	18
Total borrowings	**529**	**422**

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

The value of the liability component has been calculated based on the present value of the future cash flows in respect of payments the Company is obliged to make to holders of its loan stock. A value of £41k included within equity under the heading 'Other reserve' is the residual amount.

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

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

20 SHARE CAPITAL

	2011 £000	2010 £000
Authorised 1,000,000,000 (2010: 1,000,000,000) Ordinary shares of 1p each	10,000	10,000
Allotted, called up and fully paid 18,682,342 (2010 : 18,015,842) Ordinary shares of 1p each	187	180

	2011 Number	2010 Number	2011 £000	2010 £000
Opening shares in issue	18,015,842	16,663,842	180	167
Share options exercised	-	19,000	-	-
Deferred consideration shares issued	666,500	1,333,000	7	13
Closing shares in issue	**18,682,342**	**18,015,842**	**187**	**180**

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

21 (LOSS)/EARNINGS PER SHARE

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

	(Loss)/Profits attributable to shareholders £000	Weighted average number of shares	Basic earnings per share amount in pence
Year ended 30 April 2011	**(202)**	**17,662,215**	**(1.14)**
Year ended 30 April 2010	276	16,523,554	1.67

The calculation of the diluted (loss)/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, dilutive deferred consideration and shares held by the Synoptics Employee Benefit Trust.

	Diluted (loss)/ earnings per share amount in pence
Year ended 30 April 2011	**(1.14)**
Year ended 30 April 2010	1.46

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

	2011	2010
Weighted average number of ordinary shares used for basic earnings per share	17,662,215	16,523,554
Weighted average number of shares held by Synoptics Employee Benefit Trust	711,528	711,528
Weighted average number of ordinary shares used as deferred consideration	666,500	1,333,000
Weighted average number of ordinary shares under option	456,402	374,365
Weighted average number of ordinary shares used for diluted earnings per share	**19,496,645**	**18,942,447**

22 OWN SHARES HELD BY EMPLOYEES BENEFIT TRUST

The Group	Investment in own shares £000
At 31 May 2010 and 30 April 2011	85

As at 30 April 2011 the trust held 711,528 shares in Scientific Digital Imaging plc.

23 OPERATING LEASING COMMITMENTS

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

	2011		2010	
	Land and Buildings £000	Other £000	Land and buildings £000	Other £000
In one year or less	124	-	103	2
Between one and five years	252	-	281	-
	376	**-**	**384**	**2**

Lease payments recognised as an expense during the year amount to £113k (2010: £102k).

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

Artemis CCD Limited has a lease on an office building at Lodge Farm Barns, New Road, Bawburgh, Norwich. The lease commenced on 1 November 2010 and expires on 31 October 2015. Artemis CCD Limited or landlord shall be entitled to terminate the lease on 10 September 2011 or on every six month interval thereafter by serving one month's prior written notice.

24 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

The Group's related parties comprise its Board of Directors. Transactions with Directors are disclosed within the Directors Remuneration Report and the notes to the accounts. Unless otherwise stated, none of the transactions incorporated in these financial statements include any special terms or conditions. There is no ultimate controlling party.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments

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

Interest Rate Risk

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

At 30 April 2011, the amount of borrowings at a fixed rate was £379k (2010: £379k).

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 financial currency. An adverse movement in exchange rate could lead to a devaluation of these assets. At as 30 April 2011 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £1k (2010: £7k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £16k (2010: £16k)

The carrying amount of the Group's Dollar- and Euro-denominated monetary assets outside the functional currency of the entity the assets are within at the reporting date is as follows:

	Assets £000	£000
	2011	**2010**
US Dollars	$39	$215
Euros	€2	€8

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

Credit Risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade receivables recognised at the balance sheet date £1,262k (2010: £1,909k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

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

Liquidity Risk

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

As at 30 April 2011, 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	979	-	-	-
Borrowings	125	9	391	12

	Current		Non-current	
As at 30 April 2010	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	1,306	-	-	-
Borrowings	10	10	386	18

26 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

Balance sheet headings	Loans and other receivables 2011 £000	Non financial assets 2011 £000	Financial liabilities 2011 £000	Non financial liabilities 2011 £000	Total balance sheet heading 2011 £000
Bank	158	-	(116)	-	42
Trade receivables	1,134	-	-	-	1,134
Other receivables	66	-	-	-	56
VAT and taxation	-	204	-	(75)	139
Loan stock	-	-	(360)	-	(360)
Trade payables	-	-	(604)	-	(604)
Finance lease liability – current	-	-	(16)	-	(16)
Finance lease liability – non current	-	-	(37)	-	(37)
Other payables and accruals	-	-	(375)	-	(375)
Total	**1,358**	**204**	**(1,508)**	**(75)**	**(21)**

Balance sheet headings	Loans and other receivables 2010 £000	Non financial assets 2010 £000	Financial liabilities 2010 £000	Non financial liabilities 2010 £000	Total balance sheet heading 2010 £000
Cash at bank	762	-	-	-	762
Trade receivables	1,147	-	-	-	1,147
Other receivables	164	-	-	-	164
VAT and taxation	-	65	-	(93)	(28)
Loan stock	-	-	(352)	-	(352)
Trade payables	-	-	(588)	-	(588)
Finance lease liability – current	-	-	(20)	-	(20)
Finance lease liability – non current	-	-	(50)	-	(50)
Other payables	-	-	(664)	-	(664)
Total	**2,073**	**65**	**(1,674)**	**(93)**	**371**

The fair values of the financial assets and liabilities at 30 April 2011 and 30 April 2010 are not materially different from their book values.

27 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- 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.

	2011 £000	2010 £000
Capital		
Total equity	1,888	2,138
Less cash and cash equivalents	(158)	(762)
	1,730	**1,376**
Overall financing		
Total equity	1,888	2,138
Plus borrowings	529	422
	2,417	2,560
Capital-to-overall-financing ratio	**71.6%**	**53.8%**

Report of the Independent Auditor on the Company Financial Statements

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

We have audited the parent company financial statements of Scientific Digital Imaging plc for the year ended 30 April 2011 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2011
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the consolidated financial statements of Scientific Digital Imaging plc for the year ended 30 April 2011.

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

26 July 2011

Company Balance Sheet
for the year ended 30 April 2011

	Note	2011 £000	2010 £000
Fixed assets			
Investments	5	649	642
Current assets			
Debtors	6	310	11
Cash at bank and in hand		4	16
		314	27
Creditors: amounts falling due within one year	7	(509)	(35)
Net current assets		**(195)**	**(8)**
Total assets less current liabilities		**454**	**634**
Creditors: amounts falling due after more than one year	8	(360)	(352)
Net assets		**94**	**282**
Capital and reserves			
Called up share capital	9	187	180
Share Premium account		260	187
Other reserves		176	249
Profit and loss account		(529)	(334)
Shareholders' funds		**94**	**282**

The financial statements were approved by the Board of Directors on 26 July 2011

H L Tee CBE
Chairman

M J Creedon
Acting Managing Director

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

Notes to the Company Financial Statements
for the year ended 30 April 2011

1 PRINCIPAL ACCOUNTING POLICIES

Basis of preparation
The separate financial statements of the Company have been prepared under the historical cost convention and in accordance with United Kingdom accounting standards.

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

Investments
On the acquisition of Synoptics Limited, Scientific Digital Imaging plc qualified for merger relief under Companies Act 2006 s612, and has recorded the investment in Synoptics Limited at the nominal value of the shares issued, less provision for impairment. All other investments are recorded at cost, less provision for impairment.

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

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

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

2 EMPLOYEE REMUNERATION

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

	2011 £000	2010 £000
Emoluments	296	190
Pension	5	5
Amounts payable to third parties in respect of Directors' services	-	14
	301	**209**

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

Details of Directors' interests in the shares and options of the Company are provided in the Remuneration Committee report on pages 15 and 16. The highest paid director aggregate entitlements were £122k (2010: £120k). Company pension contributions of £5k (2010: £5k) were made to a money purchase scheme on his behalf and as at 30 April 2011.

Notes to the Company Financial Statements
for the year ended 30 April 2011

3 AUDITOR'S REMUNERATION

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

	2011 £000	2010 £000
Tax advice	1	1
Statutory audit	8	8

4 RESULT FOR THE YEAR

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's own loss for the financial period was £195k (2010: profit £317k))

5 INVESTMENTS

Investments in Group undertakings

	£000
Cost and net book amount as at 1 May 2010	642
Capital contributions in respect of share based payments	7
At 30 April 2011	**649**

Details of the investments are as follows:

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

The following companies are all held by Synoptics Limited:

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

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

6 DEBTORS

	2011 £000	2010 £000
Amounts due by other Group companies	310	-
Other debtors	-	11
	310	**11**

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

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000	2010 £000
Amounts owed to other Group companies	494	-
Trade creditors	-	19
Accruals and deferred income	15	17
	509	**36**

8 BORROWINGS

	2011 £000	2010 £000
Loan stock	**360**	**352**

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

The value of the liability component has been calculated based on the present value of the future cash flows in respect of payments the Company is obliged to make to holders of its loan stock. A value of £41k included within equity under the heading 'Other reserve' is the residual amount.

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

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

9 CALLED UP SHARE CAPITAL

	2011 £000	2010 £000
Authorised		
1,000,000,000 Ordinary shares of 1p each	10,000	1,000
Allotted, called up and fully paid		
18,682,342 (2010:18,015,842) Ordinary shares of 1p each	187	180

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

Share options

Two employee share option 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. All schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs.

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

10 RESERVES

	Share capital £000	Share premium £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 May 2010	180	187	249	(334)	282
(Loss) for the year	-	-	-	(195)	(195)
Shares issued as deferred consideration	7	73	(80)	-	-
Share based payments	-	-	7	-	7
Balance at 30 April 2011	**187**	**260**	**176**	**(529)**	**94**

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