

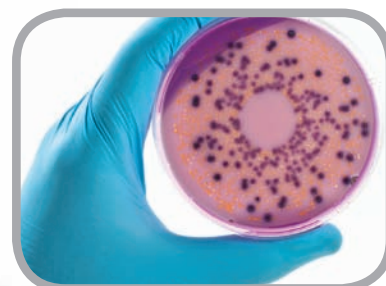
Annual Report and Accounts 2009  
Scientific Digital Imaging plc



# Our Products

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## ProtoCOL<sup>2</sup>

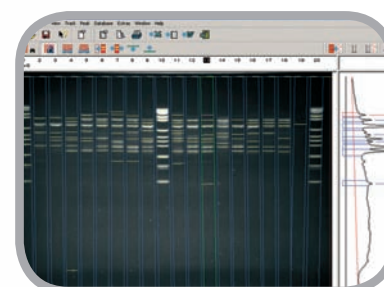
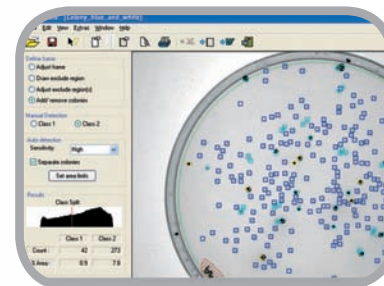
A new range of instruments for microbiology, providing automatic microbial colony counting and zone sizing. ProtoCOL 2 builds on the market success of its predecessor whilst representing a 'clean sheet of paper' redesign, incorporating novel illumination, imaging and software technologies to provide reliable results to the scientist.

Customers use the instruments to automate the time-consuming and error-prone manual methods normally employed to quantify microbial contamination of food, water and pharmaceuticals, and to monitor the susceptibility of microbes to antibiotics.



# Atik

The Atik range of cameras offers high sensitivity and low noise: uncompromising image quality and excellent value for money. Originally designed for imaging distant stars and nebulae and targeted at the amateur astronomy market, they have also been found to provide excellent performance when capturing the faint patterns of light emitted by DNA labelled with chemiluminescent stains.



# G:Box

A wide range of instruments with many variations in camera, lens and illumination, G:Box provides everything the molecular biologist needs to capture a pattern of DNA or protein expression from a fluorescent or chemiluminescent gel.

Imaging chemiluminescent samples is difficult and demanding for the user. The iChemi software, recently introduced, makes this complex process a simple 'one-click' task much like the 'full auto' setting on a consumer camera.

# SCIENTIFIC DIGITAL IMAGING PLC

## Results for the year ended 30 April 2009

### Highlights:

- **The Group was admitted to the Alternative Investment Market** of the London Stock Exchange (AIM) in December 2008
- Two acquisitions made a positive contribution to Group results
- Revenue **increased 17.9% to £6.8 million** (2008: £5.7 million)
- Operating profit, pre AIM listing expenses and currency gains, **increased 21% to £268k** (2008: £222k)
- Strong cash balance: net cash £339k (2008: £311k).
- Normalised EPS, excluding AIM admission expenses and currency gains, **increased 10% to 1.07p** (2008: 0.97p)

# SCIENTIFIC DIGITAL IMAGING PLC

## Scientific Digital Imaging plc (“SDI” or “the Group”)

[www.scientificdigitalimaging.com](http://www.scientificdigitalimaging.com)

## Company registration number:

6385396

## Registered office:

**Beacon House**  
Nuffield Road  
Cambridge  
CB4 1TF

## Directors:

H L Tee CBE  
(Chairman) (appointed 27.6.2008)

J Gibbs  
(Deputy Chairman)

Dr P Atkin  
(Chief Executive Officer)

A Vaisey  
(Senior Independent Director) (appointed 22.8.2008)

## Secretary & Chief Finance Officer:

C Hough

## Advisers

### Nominated Adviser

#### Grant Thornton Corporate Finance

30, Finsbury Square,  
London  
EC2P 2YU

### Broker

#### Dowgate Capital Stockbrokers Ltd

Talisman House  
Jubilee Walk  
Three Bridges  
West Sussex  
RH10 1LQ

### Registrar

#### Capita Registrars Ltd

Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD0 OGA

### 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  
Byron House  
Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0WZ



# Chairman's Statement



On behalf of the Board I am pleased to report on a successful twelve months in which the Group has continued to grow organically as well as through targeted acquisitions. This is despite the distractions of a particularly busy period, challenging market conditions and the effort undertaken in being admitted to AIM as a public company.

In October 2008 the Group completed the acquisition of two important suppliers: Artemis CCD Ltd (in Norfolk, UK) and Perseu - Comércio de Equipamento Para Informática e Astronomica, SA (Lisbon, Portugal). These companies design and manufacture high-sensitivity cameras for both astronomical and life science applications and their products are used in instruments manufactured by our main subsidiary, Synoptics. The acquisitions have bedded in well and made positive contributions to Group results during the second half of the period. We now identify these companies as Atik, which is the brand name under which they market their products.

The Group sought admission to the AIM market in order to provide greater flexibility in funding further growth, to enable the Group to access a wider range of investors, to assist in recruiting, retaining and incentivising key employees and to raise SDI's general profile within its sector and status with its customers and suppliers. The admission of the Group to AIM was successfully achieved on 8 December 2008.

## Financial Results

Turnover for the period rose to £6.8m (2008: £5.7m), an increase of 17.9%, despite weakening economic conditions.

Operating profit for the year before AIM admission expenses and currency gains was £268k (2008: £222k). After these, net trading profit was £106k. Basic earnings per share were 0.049p and fully diluted 0.042p, from 0.97p and 0.88p respectively at the end of the previous period. Normalised earnings per share for the Group, excluding the admission costs and currency gains, were 1.07p (2008: 0.97p).

Margins improved during the second half of the year, and for the year as a whole margins were similar to those of 2008. Due to the international nature of the business, the dramatic changes in currency exchange rates during the year had a complex, but overall positive, effect on the Group's performance.

Cash flow was strong, with cash of £341k (2008: £447k) generated by operating activities, despite the AIM admission costs. During the period a total of £379k was raised in the form of a convertible loan stock to fund the Group's admission to AIM, and borrowings stood at £417k at the end of the year (2008: £62k). Cash and cash equivalents stood at £756k at the end of the period (2008: £373k). The Group's net cash position grew to £339k (2008: £311k).

## Strategy

The Group is focused on the application of digital imaging technology to the needs of the scientific community. The Board continues 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 'buy and build' strategy will be primarily focused within Europe but, where opportunities exist, acquisitions in the United States and elsewhere will also be considered. The acquisitions completed during the period represent the first steps in the implementation of this strategy.

# Chairman's Statement

## Board

Ron Howard retired from the Board on 28 November 2008 after many years of service. Ron joined the Board of Synoptics Ltd as Chairman in November 1988. He was instrumental in the growth of Synoptics and in the development of the strategy which led to the formation and subsequent listing of SDI as an acquisitive Group. We thank him for his significant contribution to the Group over the years, and wish him well in his retirement.

Alf Vaisey joined the Board on 22 August 2008. He brings a wealth of experience gained over many years as Finance Director of a number of public companies including Lloyds Chemists and The Roxboro Group.

## Current Trading and Outlook

The economic climate continues to create uncertainty, but we are optimistic that we will remain relatively resilient. The Group's principal subsidiary, Synoptics, operates in markets where the end customers are generally engaged in research or quality control. Funding for these activities is generally allocated on a long-term basis with a significant element coming from governments. Our Atik group of camera-producing companies is fully integrated and we are confident of its ability to increase market share in the astronomy market through the investments we are now making in this business. We continue to increase our investments across the Group in both R&D and sales channels in order to drive future growth.

The global nature of the Group's business makes currency exchange rates significant to our performance. Prices to our distributors are in general denominated in Pounds Sterling (with the exception of sales in the US), but local exchange rates have a large impact on the competitiveness of our products. Recent currency fluctuations have in general been favourable and we take steps to mitigate the effects of any adverse movement.

Sales in the US may well be affected by the various Federal stimulus packages, although the extent to which these turn out to be effective in our sector is difficult to determine at present.

The Board remains cautiously optimistic that the market will remain stable and that the Group strategy and investments will result in good medium-term growth although short-term profitability may be moderated as a result of the investments made in the Group.

## Staff

The Group depends ultimately on the continued commitment, enthusiasm and skill of its employees. They have performed extremely well in a year of many distractions, and on behalf of the Board I would like to pay tribute to their dedication and commitment.



**H L Tee CBE**  
**Chairman**

# Chief Executive's Operating Report



## **Synoptics**

Synoptics designs and builds scientific instruments based on digital imaging technology, mainly for the life sciences.

During the period, Synoptics revenues accounted for 95% of the Group revenues.

Synoptics trades under three brands, each targeted at a different scientific application area:

### **Syncroscopy**

The Syncroscopy division provides accessories that bring the benefits of digital imaging technology to microscope users. Unlike the other divisions, it concentrates largely on selling its technology through an OEM (Original Equipment Manufacturer) customer: Leica Microsystems. Syncroscopy's principal product, a software package that allows customers to overcome the severely limited depth of field in an optical microscope, is sold as an optional module for Leica's LAS software suite and has been well received in this form.

### **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.

The division has experienced a mixed year in terms of success, with good sales in Europe and the Far East balanced by poor results in the US. Consequently, we have made changes to our distribution model in the US, aligning it more closely with the highly successful approach adopted by the Syngene division.

Considerable effort was expended during the period in the engineering of a new range of products for this division, which has now been launched. ProtoCOL 2, with versions initially for counting microbial colonies and measuring antibiotic resistance zones, will be the division's flagship product range.

### **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.

Syngene continued to grow well across the world through its established network of distributors and (in the United States) manufacturers' representatives.

Syngene prides itself on its ability to apply its technology to the specific needs of its customers whilst continuously making this technology easier to use and more transparent. It has achieved a major step forward in this regard, by providing automation of one of the most difficult processes in this type of application, namely the capture of a useful image of the extremely faint patterns of light emitted by the increasingly popular chemiluminescent markers. Similar to the 'full auto' setting of a modern consumer camera, the iChemi technology is able to provide one-button capture and processing, delivering the full performance of the imaging system and with little or no training. This development is useful not only to the customer but also to the distributors, for whom a demonstration involving a complex series of steps was a significant barrier to this marketplace.





# Chief Executive's Operating Report

Whilst sales were strong throughout the world, they were particularly robust in the United States thanks to the continued and successful development of our network of manufacturers' representatives across the USA. The margins earned by such sales were also high thanks to the increase in the value of the Dollar with respect to the Pound Sterling, although of course the costs of our US operation also increased for the same reason.

## **Atik (formerly identified as Artemis and Perseu)**

Atik designs and manufactures high-sensitivity cameras for deep-sky astronomical and life science imaging. The Artemis and Perseu companies were acquired in October 2008 because of their 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 their potential for growth in their astronomy market thanks to the quality of the principals. The companies made a positive contribution to Group results during the second half of the Year.

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.

The integration of the businesses into the Group has been completed successfully. The design and development activities are centred in Norwich and Cambridge, and all manufacturing operations based in Lisbon. New accounting and administration systems, remotely accessible from Cambridge, have been set up in Lisbon. The technological and market synergies identified at the time of the acquisitions have been achieved and Atik is performing well.

Development of a new software product for the post-processing of astronomical images has been accelerated through the use of a toolkit developed by Synoptics. Similarly, Synoptics is now in a position to take advantage of specific knowledge and experience in the Atik team. We anticipate further opportunities for Synoptics to influence the development priorities of Atik, some of which have already led to a number of initiatives that have proven to be successful – both for Synoptics and in the astronomy field.

The depth of marketing expertise in Synoptics has assisted in the establishment and clarification of the Atik brand and further Synoptics resources will be shared in the future to assist Atik to break into new and exciting markets.

New recruitment has strengthened both the software development and marketing capabilities of the Atik team.

Atik continues to grow its sales, despite the current economic climate and its exposure to discretionary expenditure within the consumer market. Its cameras have received very favourable reviews in respected publications and on-line forums and it has established a good reputation for reliability and value for money. Its product range covers most of the appealing price/performance points and our emphasis now needs to turn to marketing the products effectively and across a wider geographical range.

## **Summary**

Each of the businesses performed well during the period. The structure and organisation of the Group is sound and we continue to seek growth in all areas in the coming period despite the economic uncertainties in which we operate.

We seek further acquisitions in pursuit of our 'buy and build' strategy to develop a Group based upon the exploitation of digital imaging technologies in scientific and research markets.

# Financial Review

## Group Summary

Group revenue for the year increased by 17.9% to £6.8m (2008: £5.7m). Revenue from the acquisitions made during the year amounted to £313k.

Gross profit increased by 16% to £3.8m (2008: £3.3m). Gross profit from acquisitions made during the year amounted to £236k.

Overall the Group's gross profit margin for the year was 56% (2008: 57%). During the first half of the year the Group's gross profit margin reduced to 54% as a result of product mix but in the second half of the year margins improved to 58%. The first half reduction was due to the mix of sales with an increased proportion of Syngene revenue which generally has a lower gross margin than that of other Group products.

In the second half of the year, movements in exchange rates and component cost savings led to an improvement in gross margin percentage. The acquisitions increased the gross profit margin for the year by 0.9 percentage points.

Operating profit for the year was £106k (2008: £221k); this figure benefitted from a re-valuation of debtors denominated in dollars of £183k, but was reduced by AIM admission costs of £345k.

## Investment in R&D

Expenditure on research and development in the current year was £626k, representing 9% of Group sales. Under IFRS we are required to capitalise certain development expenditure and in the year ending 30 April 2009 £148k of cost was capitalised and added to the balance sheet. This expenditure represents the Group's investment in new product development. The amortisation charge for 2009 was £40k (2008: £80k). The carrying value of capitalised development at 30 April 2009 was £335k (2008: £226k) to be amortised over three years.

## Earnings per Share

Basic earnings per share for Group were 0.049p (2008: 0.97p), diluted earnings per share for the Group were 0.042p (2008: 0.88p). Normalised earnings per share for the Group, excluding AIM admission costs and currency gains, were 1.07p (2008: 0.97p).

## Finance Costs and Income

Net financing income was £5k (2008: £11k). The reduction in financing income was a result of the fall in interest rates during the year.

Net financing expense was £54k (2008: £48k). Loan stock interest charges for the year were £25k (2008: £7k). Loan stock of £379k was issued in July 2008.

Finance charges incurred during the year by the acquisitions were £6k.

## Taxation

The tax charge in the income statement is distorted by the AIM listing expenses, elements of which are disallowable, and unrecognised tax losses in the Company, increasing the effective tax rate for 2009 to 86% (2008: 18%). The current tax charge for the period relates to overseas tax of £7k (2008 UK current tax charge £1k).



# Financial Review

## Cash Flow

Group operating cash inflow was 208% of Group operating profit (excluding, in both cases, admission costs and currency exchange gains) (2008: 190%).

During the year £74k of cash was used to acquire Perseu – Comercio de Equipamento Para Informatica e Astronomica (“Perseu SA”) and Artemis CCD Ltd. In addition, £277k of cash was expended on assets and capitalised development.

The Group raised cash of £379k following the issue of loan stock and generated £89k of cash from working capital.

At the year end the Group had a cash balance of £756k (2008: £373k).

## Currency Translation

The results of the Group’s overseas businesses are translated into Pounds Sterling at the average exchange rates for the relevant year. The balance sheets of overseas businesses are translated into Pounds Sterling at the relevant closing exchange rate. Any gains or losses from translating these items from one year to the next are recorded in reserves.

Foreign exchange gains on the re-valuation of debtors held in foreign currencies are £183k (2008: £1k loss). These gains were recorded in the Income Statement.

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. 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

Growing demand for our digital imaging solutions has increased our revenue for the third consecutive year. Operating profit, adjusted for admission costs and currency exchange gains, has increased by 21% from the level achieved in 2008. We retain a strong balance sheet with a positive cash flow and net cash position of £339k (2008: £311k).

# Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 30 April 2009.

## 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 the 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 represents the first step in the implementation of this strategy.

On 8 December 2008, the ordinary shares of Scientific Digital Imaging Plc were admitted for trading on the AIM market of the London Stock Exchange.

The Chairman's Statement, Chief Executive's Statement and Financial Review, which appear on pages 4 to 9, give an overview of the performance of the Group during the year and likely future developments.

## Group results

The group profit for the year after taxation amounted to £ 7,712 (2008: profit £149,069) 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.

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Mr H Tee was appointed as a director on 27 June 2008

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Mr J Gibbs

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Dr P Atkin

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Mr A Vaisey was appointed as a director on 22 August 2008

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Mr R J F Howard resigned as a director on 28 November 2008

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

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.

The header image features a dark, textured background with a circular, cratered pattern, resembling a celestial body like the moon. The text 'Report of the Directors' is overlaid in a clean, white, sans-serif font. A solid red vertical bar is positioned on the left side of the image.

# 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 28 November 2008, 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.

## Structure of share capital

As at 30 April 2009 the Company's authorised share capital of £1,000,000 comprised 100,000,000 ordinary share of 1p each.

As at 30 April 2009 the Company had 16,663,842 (2008: 16,330,562) ordinary shares in issue with a nominal value of 1p each.

During the year options over 333,280 ordinary shares with a nominal value of 1p were exercised.

## 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 65 days (2008: 85 days) of average supplies.

## Going concern

The Directors have reasonable expectations, after making appropriate enquiries, 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.

## Principal risks and uncertainties

The following section sets out the principal risks and uncertainties facing the Group. There may be other risks and uncertainties which are not yet known or which are currently considered to be immaterial but later turn out to have a material impact. Some of the areas set out will be outside of any influence that the business may exert. Should any of the risks actually materialise then the Company's business, financial condition, prospects and share price could be materially and adversely affected. Further details on financial risk management are set out in Note 27.

## General economic conditions

A continuing slowdown in economic conditions globally could have a material effect on sales and on operating profit. 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.



# Report of the Directors

## 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.

## Intellectual property

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

## 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, with the exception of Perseu SA, 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 bankers. Currently the Group has no draw down against the existing facility. 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, have high performance and motivated management, and have 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.

## By Order Of The Board



**Dr P Atkin**  
**Chief Executive Officer**

# Corporate Governance Statement

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

## The workings of the Board and its committees

### The Board

The Board comprises the Chairman, one Executive Director and two Non-Executive Directors. A J Vaisey was appointed Senior Independent Director during the year. Mr Gibbs 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. Two 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 Chief Executive. The Chairman is responsible for leadership of the Board, ensuring effectiveness of the Board in all aspects, conducting Board meetings and the effective and timely communication of information to shareholders. The Chairman is able to provide advice, counsel and support to the Chief Executive. The Chief Executive has direct charge of the Group's day-to-day activities and sets the operating plans and budgets required to deliver the agreed strategy. The Chief Executive is also responsible for ensuring that the Group has in place appropriate risk, management and control mechanisms.

The Board is collectively responsible for the performance of the Company and is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities is given on page 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 page 15.

#### Audit Committee

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

# Corporate Governance Statement

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

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

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

## Audit independence

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

## Internal control

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

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

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

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

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

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

# Directors' Remuneration Report

## Remuneration strategy

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

## Remuneration Committee

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

## Remuneration policy

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

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

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

In the year ending 2009 19% (2008: 19%) of the potential on target direct remuneration of the Chief Executive was performance related. These calculations are made on the basis that all performance targets would have been met but not exceeded.

## Basic salary and benefits

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

## Performance related pay

The performance related pay for the Chief Executive and other senior executives is calculated on formulae which are determined at the start of each financial year by the Remuneration Committee. For each of the executives the formula measures the Group's performance against specified targets relating to operational performance of the Group or its subsidiaries and which align executives' interests with those of shareholders.

For the year ended 30 April 2009 the performance related pay scheme was designed around the achievement of both revenue and contribution growth for the Synoptics business. The on target performance related pay payable for senior executives for the year was to be 24% of base salary. In the event, performance related pay of 20% of base salary was paid to the Group's senior executives, amounting to £80,000 in total. The performance related pay paid to the Chief Executive was £19,000 amounting to 20% of base salary.

# Directors' Remuneration Report

## Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

	Salary / Fees £	Taxable Benefits £	Pension £	2009 Total £	2008 Total £
H L Tee	32,267	-	-	32,267	-
J Gibbs	46,308	-	-	46,308	23,060
P Atkin	117,810	517	4,756	123,083	117,797
A Vaisey	27,200	-	-	27,200	-
R Howard	20,570	-	-	20,570	34,061
D Sewell	-	-	-	-	4,100
	244,155	517	4,756	249,428	179,018

The fees paid to J Gibbs and R Howard were paid to Adaptivity Ltd and Technology Management Services Ltd respectively.

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £117,810 (2008: £113,257). Company pension contributions of £4,756 (2008: £4,540) were made to a money purchase scheme on his behalf. During the period he exercised 80,000 share options held over ordinary shares of Scientific Digital Imaging Plc and as at 30 April 2009 held a total of 208,080 share options. No gain was made on the exercise of the options.

No new share options were issued to directors during the year.

## Directors' beneficial interests

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

	2009 £	2008 £
H L Tee	896,000	896,000
P Atkin	894,754	814,754
A Vaisey	50,000	-

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.

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

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.

## 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 on 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 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

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 prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and have elected to prepare separate parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The group financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of 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 disclose with reasonable accuracy at any time the financial position of the Company and the Group 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.

# Report of the Independent Auditor

## Report of the Independent Auditor 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 2009 which comprise the consolidated income statement, 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 Sections 495 and 496 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 consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## 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 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on Other Matter Prescribed by the Companies Act 2006

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

## Matters on Which We Are Required to Report by Exception

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

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

## Other Matter

We have reported separately on the parent company financial statements of Scientific Digital Imaging Plc for the year ended 30 April 2009.

## Alison Seekings

### Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants

Cambridge

## Financial Statements

# Consolidated Income Statement

for the year ended 30 April 2009

	Note	2009 £	2008 £
Revenue	5	6,753,869	5,728,057
Costs of sales		(2,946,222)	(2,446,824)
<b>Gross Profit</b>		<b>3,807,647</b>	<b>3,281,233</b>
Currency exchange gains/(losses)		183,077	(1,251)
- administrative expenses		(3,539,519)	(3,059,292)
- AIM listing expenses		(344,956)	-
Total administrative expenses		(3,701,398)	(3,060,543)
Operating profit		106,249	220,690
Finance income		4,677	10,521
Finance payable and similar charges	8	(54,137)	(48,923)
Net financing expenses		(49,460)	(38,402)
<b>Profit before tax</b>	<b>6</b>	<b>56,789</b>	<b>182,288</b>
Income tax expense	9	(49,077)	(33,219)
<b>Profit for the year</b>		<b>7,712</b>	<b>149,069</b>
<b>Earnings per share</b>			
Basic earnings per share	22	0.05p	0.97p
Diluted earnings per share	22	0.04p	0.88p

All activities of the Group are classed as continuing.

## Financial Statements

# Consolidated Balance Sheet

for the year ended 30 April 2009

	Note	2009 £	2008 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	334,379	230,892
Intangible assets	10	702,058	225,919
Deferred tax asset	13	22,959	49,983
		1,059,396	506,794
<b>Current assets</b>			
Inventories	14	508,710	372,797
Trade and other receivables	15	1,244,846	1,224,557
Cash and cash equivalents	16	756,686	372,709
		2,510,242	1,970,063
<b>Total assets</b>		<b>3,569,638</b>	<b>2,476,857</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	20	387,169	32,719
Deferred tax liability	13	111,101	47,872
		498,270	80,591
<b>Current liabilities</b>			
Trade and other payables	17	1,171,110	953,201
Provisions for warranty	19	12,500	10,000
Borrowings	20	30,148	29,393
Current tax payable		11,188	866
		1,224,946	993,460
<b>Total liabilities</b>		<b>1,723,216</b>	<b>1,074,051</b>
<b>Net assets</b>		<b>1,846,422</b>	<b>1,402,806</b>
<b>Equity</b>			
Share capital	21	166,638	163,306
Merger reserve		2,606,016	2,606,016
Share premium account		38,327	-
Own shares held by Employee Benefit Trust	23	(85,383)	(250,147)
Other reserves		399,124	22,872
Foreign exchange reserve		15,045	(2,948)
Retained earnings		(1,293,345)	(1,136,293)
<b>Total Equity</b>		<b>1,846,422</b>	<b>1,402,806</b>

The financial statements were approved by the Board of Directors on 17th September 2009.



**Dr P Atkin**  
**Chief Executive Officer**

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

## Financial Statements

# Consolidated Cash Flow Statement

for the year ended 30 April 2009

	2009 £	2008 £
<b>Operating activities</b>		
Profit for the year	7,712	149,069
Depreciation and amortisation	195,522	230,228
Profit on sale of property, plant and equipment	(12,145)	(4,997)
Finance costs	49,460	38,402
Taxation expense in the income statement	49,077	33,219
Decrease/ (increase) in inventories	5,137	(33,644)
Increase in provisions	2,500	-
Exchange difference	(4,918)	(2,948)
Employee share based payments	15,346	12,634
<b>Operating cash flows before movement in working capital</b>	<b>307,691</b>	<b>421,963</b>
Changes in trade and other receivables	(68,205)	(276,027)
Changes in trade and other payables	157,506	276,486
<b>Cash generated from operations</b>	<b>396,992</b>	<b>422,422</b>
Interest paid	(48,704)	(35,027)
Income taxes (paid) / received	(7,730)	59,601
<b>Cash generated from operating activities</b>	<b>340,558</b>	<b>446,996</b>
<b>Investing activities</b>		
Capital expenditure	(237,915)	(165,904)
Acquisitions, net of cash acquired	(74,025)	-
Expenditure on development	(148,466)	(129,963)
Sale of property, plant and equipment	109,351	67,877
Interest received	4,600	10,521
<b>Net cash used in investing activities</b>	<b>(346,455)</b>	<b>(217,469)</b>
<b>Financing activities</b>		
Capital element of finance leases	(30,785)	(38,271)
Issue of loan stock	379,000	-
Issues of shares and warrants	41,659	36,220
Repayment of short term loans	-	(104,962)
<b>Net cash from financing</b>	<b>389,874</b>	<b>(107,013)</b>
<b>Net changes in cash and cash equivalents</b>	<b>383,977</b>	<b>122,514</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>372,709</b>	<b>250,195</b>
<b>Cash and cash equivalents, end of year</b>	<b>756,686</b>	<b>372,709</b>

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



## Financial Statements

# Consolidated Statement of Changes in Equity

for the year ended 30 April 2009

	Share Capital £	Merger Reserve £	Foreign exchange	Share premium	Other shares held by EBT	Other Reserves £	Retained Earnings £	Total £
<b>Balance at 30 April 2008</b>	<b>163,306</b>	<b>2,606,016</b>	<b>(2,948)</b>	<b>-</b>	<b>(250,147)</b>	<b>22,872</b>	<b>(1,136,293)</b>	<b>1,402,806</b>
Deferred tax on options	-	-	-	-	-	(4,203)	-	(4,203)
Employee Benefit Trust adjustment	-	-	-	-	164,764	-	(164,764)	-
Foreign exchange on consolidation of subsidiary	-	-	17,993	-	-	-	-	17,993
Net income recognised directly in equity	-	-	17,993	-	164,764	(4,203)	(164,764)	13,790
Profit for the year	-	-	-	-	-	-	7,712	7,712
Total recognised income / (expense) for the period	-	-	17,993	-	164,764	(4,203)	(157,052)	21,502
Deferred consideration on acquisition	-	-	-	-	-	319,920	-	319,920
Equity element of loan stock	-	-	-	-	-	40,986	-	40,986
Share options exercised	3,332	-	-	38,327	-	-	-	41,659
Share based payments	-	-	-	-	-	19,549	-	19,549
<b>Balance at 30 April 2009</b>	<b>166,638</b>	<b>2,606,016</b>	<b>15,045</b>	<b>38,327</b>	<b>(85,383)</b>	<b>399,124</b>	<b>(1,293,345)</b>	<b>1,846,422</b>

	Share Capital £	Merger Reserve £	Foreign exchange	Share premium	Other shares held by EBT	Other Reserves £	Retained Earnings £	Total £
<b>Balance at 30 April 2007</b>	<b>159,978</b>	<b>2,500,494</b>	<b>-</b>	<b>-</b>	<b>(312,500)</b>	<b>35,763</b>	<b>(1,266,195)</b>	<b>1,117,540</b>
Deferred tax on options	-	-	-	-	-	(4,509)	-	(4,509)
Employee Benefit Trust adjustment	-	-	-	-	40,183	-	(40,183)	-
Foreign exchange on consolidation of subsidiary	-	-	(2,948)	-	-	-	-	(2,948)
Net income recognised directly in equity	-	-	(2,948)	-	40,183	(4,509)	(40,183)	(7,457)
Profit for the year	-	-	-	-	-	-	149,069	149,069
Total recognised income / (expense) for the period	-	-	(2,948)	-	40,183	(4,509)	108,886	141,612
Conversion of loan stock	2,528	92,272	-	-	-	(21,016)	21,016	94,800
Conversion of warrants	800	13,250	-	-	-	-	-	14,050
Share options exercised	-	-	-	-	22,170	-	-	22,170
Share based payments	-	-	-	-	-	12,634	-	12,634
<b>Balance at 30 April 2008</b>	<b>163,306</b>	<b>2,606,016</b>	<b>(2,948)</b>	<b>-</b>	<b>(250,147)</b>	<b>22,872</b>	<b>(1,136,293)</b>	<b>1,402,806</b>

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 2009

## 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 Company for the year ended 30 April 2009 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. The Company has elected to present its parent company financial statements in accordance with UK GAAP.

The financial statements have been prepared on the historical cost basis. The principal accounting policies of the Group are set out below. The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP).

The comparative information for the year ended 30 April 2008 is based upon the audited statutory accounts for that year, adjusted for any IFRS restatements. The changes to accounting policies are explained in note 3, together with the reconciliation of opening balances.

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

As permitted by IFRS 1, the following key exemptions have been taken in the transition to IFRS. Recognition and measurement requirements of IFRS2 'Share Based Payments' have only been applied to equity instruments granted after 7 November 2002 that had not vested by 1 May 2006.

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

### 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.

#### 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.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## Deferred taxation

Deferred tax is provided for based on management's estimation of future profits and utilisation of tax losses. Changes in these assumptions could affect the value of deferred tax provided for and hence the amount charged to the income statement.

## Fair values

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

## 3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

### Basis of Consolidation

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in 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.

On 5 December 2007 Scientific Digital Imaging Plc was incorporated as the new parent entity and acquired the entire issued share capital of Synoptics Limited group via a share for share exchange. For the purpose of preparing the consolidated accounts this transaction is not considered to be a business combination.

### 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 income statement.

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

Income and expense items of overseas operations are translated at exchange rates approximating to those ruling when the transactions took place. Exchange differences arising from this policy are recognised directly in the foreign exchange reserve, such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

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

### Property, Plant And Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of property, plant and equipment to write down the cost of the asset to its residual value. 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
Leasehold improvements	5 years

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## Goodwill

Goodwill represents the excess of the cost of an acquisition 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 income statement. 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 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 income statement 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 amortisation 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.

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

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

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

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 income statement.

## 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 call 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, and deferred shares to be issued as consideration for the acquisitions between 12 and 48 months from the date of acquisition.
- "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 stated at fair value and thereafter at amortised cost using effective interest method. The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists the assets' recoverable amount is estimated being the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of the money and risks specific to the assets. Receivables with a short duration are not discounted.

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

## Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, and an interest bearing confidential invoice discounting facility. All financial liabilities are measured at amortised cost.



# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

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

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

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

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

## Revenue Recognition

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

## Leased Assets

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

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

## Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or 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. 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.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## Segment Reporting

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

## Provisions

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

## Employee Benefit Trust

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

## Share Based Payments

Scientific Digital Imaging Plc regularly issues share options to employees. The fair value of the award granted is recognised as an employee expense within the Income Statement with a corresponding increase in equity. The fair value is measured at the grant date and spread over the performance period during which the employees become unconditionally entitled to the award.

The fair value of the grants is measured using the Black-Scholes model taking into account the terms and conditions upon which the grants were made. The amounts recognised as an expense are only adjusted to reflect changes in non-market conditions such as the actual number of forfeitures.

## 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.

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (effective 1 January 2010)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (effective 1 January 2009)
- Improvements to IFRSs 2008 (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)

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, except the amendment to IAS 1 and IFRS 8 that will impact on the presentation of the financial statements and IFRS 3 which will require acquisition costs to be expensed. The Group does not intend to apply any of these pronouncements early.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 4 TRANSITION TO IFRS

IFRS 1 **First-time adoption of International Financial Reporting Standards** sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing the financial information. The Group established its IFRS accounting policies on its transition date, 1 May 2007, and applied these to the IFRS opening balance sheet at its date of transition. The principal changes to UK GAAP accounting policies are:

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

IAS 38 **Intangible assets** requires the Group to capitalise development costs if they meet the criteria of the standard.

IAS 12 **Income taxes** takes a balance sheet approach to deferred tax whereby deferred tax is recognised by applying the appropriate tax rate to the temporary differences arising between the carrying value of the assets and liabilities and their tax base. This contrasts to UK GAAP which considers differences between accounting profit and tax profit that will reverse over time.

**Employee Benefit Trust reclassification** – under IFRS no gain or loss is recognised in the income statement on the company's own shares. The loss recognised in 2008 has therefore been reclassified to equity.

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

	<b>2008</b>
	<b>£</b>
<b>Net profit for the year:</b>	
Net profit / (loss) for the year:	£
Under UK GAAP	69,302
IAS 38 Intangible assets	50,048
IAS 19 Employee Benefits	(3,113)
IAS 12 Deferred tax	(7,351)
Employee Benefit Trust reclassification	40,183
<b>Restated under IFRS</b>	<b>149,069</b>

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

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

	<b>Under UK GAAP</b>		<b>IAS 19</b>		<b>IAS 38</b>		<b>Deferred Tax</b>		<b>Restated under IFRS</b>
	<b>£</b>		<b>£</b>		<b>£</b>		<b>£</b>		<b>£</b>
<b>Non-current assets</b>									
Intangibles	-		-		225,919		-		225,919
Deferred taxation	37,678		-		-		12,305		49,983
<b>Total Assets</b>	<b>2,238,633</b>		<b>-</b>		<b>225,919</b>		<b>12,305</b>		<b>2,476,857</b>
<b>Equity</b>									
Retained earnings	(1,286,772)		(34,082)		182,494		2,067		(1,136,293)
Other reserves	12,634		-		-		10,238		22,872
<b>Current liabilities</b>									
Trade and other payables	923,566		29,635		-		-		953,201
<b>Non current liabilities</b>									
Deferred taxation	-		4,447		43,425		-		47,872
<b>Total Equity and liabilities</b>	<b>2,238,633</b>		<b>-</b>		<b>225,919</b>		<b>12,305</b>		<b>2,476,857</b>

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

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

	Under UK GAAP £	IAS 19 £	IAS 38 £	Deferred Tax £	Restated under IFRS £
<b>Non-current assets</b>					
Intangibles	-	-	175,871	-	175,871
Deferred taxation	62,680	-	-	14,747	77,427
<b>Total Assets</b>	<b>1,897,971</b>	<b>-</b>	<b>175,871</b>	<b>14,747</b>	<b>2,088,589</b>
<b>Equity</b>					
Retained earnings	(1,377,090)	(31,561)	142,456	-	(1,266,195)
Other reserves	21,016	-	-	14,747	35,763
<b>Current liabilities</b>					
Trade and other payables	650,193	26,522	-	-	676,715
<b>Non current liabilities</b>					
Deferred taxation	-	5,039	33,415	-	38,454
<b>Total Equity and liabilities</b>	<b>1,897,971</b>	<b>-</b>	<b>175,871</b>	<b>14,747</b>	<b>2,088,589</b>

## 5 SEGMENT ANALYSIS

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

	Europe		UK		USA		Group	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Revenue	295,965	-	4,440,805	4,363,515	2,017,099	1,364,542	6,753,869	5,728,057
Net profit before tax and depreciation and amortisation	44,718	-	124,422	272,691	83,173	139,825	252,313	412,516
Profit before tax	41,710	-	(5,800)	108,964	20,879	73,324	56,789	182,288
Assets	159,776	-	2,623,198	1,926,866	786,664	549,991	3,569,638	2,476,857
Liabilities	(101,810)	-	(951,944)	(625,308)	(669,462)	(448,743)	(1,723,216)	(1,074,051)
Net Assets	57,966	-	1,671,254	1,301,558	117,202	101,248	1,846,422	1,402,806
Capital expenditure	1,070	-	319,412	118,163	139,925	113,964	460,407	232,127
Depreciation & amortisation	3,008	-	130,222	163,727	62,294	66,501	195,524	230,228

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

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

	2009 £	2008 £
United Kingdom	984,644	1,443,367
Europe	2,136,301	1,660,062
America	2,017,099	1,364,087
Asia	1,431,901	1,011,734
Rest of World	183,924	248,807
	<b>6,753,869</b>	<b>5,728,057</b>

## 6 Profit Before Taxation

Profit for the year has been arrived at after charging:

	2009 £	2008 £
Amortisation on intangibles (Note 10)	18,026	-
<b>Depreciation charge for year:</b>		
Property, plant and equipment	106,211	105,894
Property, plant and equipment held under finance leases	31,469	44,419
(Profit) / loss on disposal of property, plant and equipment	(12,145)	(4,997)
<b>Research and development costs:</b>		
Expensed as incurred	477,905	365,774
Amortisation charge	39,818	79,915
<b>Auditor's remuneration Group:</b>		
Audit of group accounts	25,000	23,750
<b>Fees paid to the auditor and its associates in respect of other services:</b>		
Audit of Company's subsidiaries	9,848	-
Tax services	7,325	2,500
Other services	88,000	-
Corporate finance costs	-	130,769
Currency exchange (gains) and losses	(183,077)	1,251
Rental of land and buildings	114,206	78,554

## 7 Directors And Employees Remuneration

Staff costs during the year were as follows:

	2009 £	2008 £
Wages and salaries	1,889,379	1,632,478
Social security costs	211,427	146,342
Share based payments	19,550	12,634
Other pension costs	62,952	53,146
	<b>2,183,308</b>	<b>1,844,600</b>

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



# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

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

	2009 Number	2008 Number
Administration	7	6
Production	16	14
Product development	9	7
Sales and marketing	11	9
	<b>43</b>	<b>36</b>

The Directors have identified five key management personnel, excluding the Chief Executive. Compensation of the key management is set out below:

	2009 £	2008 £
Emoluments (excluding pension contributions)	488,985	426,257
Share based payments	10,278	6,681
Pension contributions paid into a defined contribution scheme	14,878	13,156
	<b>514,141</b>	<b>446,094</b>

During the period key management personnel exercised 144,640 share options and 66,240 of their share options lapsed. As at the 30 April 2009 they held a total of 457,760 share options. No new share options were issued to key management personnel during the year.

## 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 as required by the Finance Act 1984 and the Finance Act 1980.

A summary of options outstanding currently is as follows:

	2009		2008	
	Number of share options	Exercise price of options	Number of share options	Exercise price of options
Outstanding at the beginning of the year	1,611,760	£0.125	190,240	£1.00
Granted during the year	-	-	76,000	£1.00
Exercised during the year	(333,280)	£0.125	(22,170)	£1.00
Expired during the year	(78,720)	£0.125	(42,600)	£1.00
Replacement options issued during the year	-	£0.125	(201,470)	£1.00
Exchange for SDI Share options	-	-	1,611,760	£0.125
<b>Outstanding at the end of the year</b>	<b>1,199,760</b>	<b>£0.125</b>	<b>1,611,760</b>	<b>£0.125</b>
Exercisable at the end of the year	591,760	£0.125	1,003,760	£0.125

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



# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

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

The fair value of new options granted in 2008 has been based on an expected volatility of 30%, risk free interest rate of 4.2%, dividend yield rate of 0% and an expected option life of 10 years. Volatility was estimated based on companies in similar industries.

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

## Pensions

The Group operates a defined contributions pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group.

	2009 £	2008 £
Current pension obligations included in liabilities	9,422	9,502

## 8 FINANCE COSTS

	2009 £	2008 £
Bank overdraft, invoice discounting and loan	12,046	20,665
Finance leases and hire purchase contracts	11,719	7,527
Loan stock	24,939	6,835
Other debt finance costs	5,433	13,896
	<b>54,137</b>	<b>48,923</b>

## 9 TAXATION

	2009 £	2008 £
Current tax expense	6,660	866
Deferred tax expenses	42,417	32,353
<b>Income tax charge</b>	<b>49,077</b>	<b>33,219</b>

	2009 £	2008 £
<b>Reconciliation of effective tax rate</b>		
Profit on ordinary activities before tax	56,789	182,288
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 25% (2008: 20%)	14,197	36,623
Effects of:		
Tax due on overseas earnings	43,760	8,684
Additional deduction for R&D expenditure	(34,875)	(14,584)
Transferred to tax losses	25,995	2,463
Changes in tax rate	-	33
	<b>49,077</b>	<b>33,219</b>

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 10 INTANGIBLE ASSETS

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

Cost	Other Intangibles	Goodwill	Development costs £	Total £
At 1 May 2008	-	-	452,177	452,177
Additions	216,000	169,517	148,466	533,983
<b>At 30 April 2009</b>	<b>216,000</b>	<b>169,517</b>	<b>600,643</b>	<b>986,160</b>
Amortisation				
At 1 May 2008	-	-	226,258	226,258
Amortisation for the year	18,026	-	39,818	57,844
<b>At 30 April 2009</b>	<b>18,026</b>	<b>-</b>	<b>266,076</b>	<b>284,102</b>
<b>Net book amount at 30 April 2009</b>	<b>197,974</b>	<b>169,517</b>	<b>334,567</b>	<b>702,058</b>
Net book amount at 30 April 2008	-	-	225,919	225,919

The goodwill relates to the acquisition of Artemis CCD Ltd and Perseu SA. These subsidiaries have been treated as a single cash generating unit for the purpose of calculating the recoverable amount of goodwill. The directors commissioned an independent valuation of the separately identifiable intangibles acquired and the resulting goodwill and these are the assumptions used in supporting the valuation. The recoverable amount of the goodwill has been based on the discounted cash flows from the unit, discounted at 10% over 10 years. The discounted cash flow assumes that the turnover of the unit will grow by 10% over the first 3 years and 5% from then onwards. This is based on historic growth levels and anticipated growth in new markets.

Cost	Development costs £	Total £
At 1 May 2007	322,214	322,214
Additions	129,963	129,963
<b>At 30 April 2008</b>	<b>452,177</b>	<b>452,177</b>
Amortisation		
At 1 May 2007	146,343	146,343
Amortisation for the year	79,915	79,915
<b>At 30 April 2008</b>	<b>226,258</b>	<b>226,258</b>
<b>Net book amount at 30 April 2008</b>	<b>225,919</b>	<b>225,919</b>
Net book amount at 30 April 2007	175,871	175,871

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

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 11 ACQUISITIONS

(a) On 16 October 2008, the Company acquired the entire issued share capital of Artemis CCD Limited, a company incorporated in England and Wales, for a consideration of £229,960 (excluding costs of acquisition). Costs incurred on the acquisition were £20,557.

The assets and liabilities acquired were as follows;

	Book Value £	Fair Value adjustment £	Fair Value £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	17,538	(17,538)	-
Property, plant and equipment	6,304	-	6,304
Technology based intangible assets	-	195,000	195,000
<b>Current assets</b>			
Trade and other receivables	28,238	-	28,238
Cash and cash equivalents	2,837	-	2,837
<b>Liabilities</b>			
Trade and other payables	(37,909)		(37,909)
Deferred tax	-	(39,000)	(39,000)
<b>Net assets acquired</b>	<b>17,008</b>	<b>138,462</b>	<b>155,470</b>
<b>Goodwill</b>			<b>95,047</b>
<b>Consideration and cost of investment</b>			<b>250,517</b>
<b>Satisfied by:</b>			
Shares issued			159,960
Cash payment			70,000
Acquisition expenses			20,557
			<b>250,517</b>

The consideration for the acquisition was satisfied by the issue of 1,333,000 ordinary shares in the Company and a cash payment of £70,000. The consideration shares are to be allotted and issued to the Artemis sellers in two tranches: the first tranche of 666,500 Ordinary shares is to be allotted 12 months from the Completion date and the second tranche of 666,500 Ordinary shares is to be allotted 24 months from the Completion. The cash payment is to be made in three tranches: the first was made on Completion; the second tranche of £23,333 was paid on 16 March 2009; and the third tranche of £23,333 will be paid on 16 August 2009.

The Ordinary Shares were valued at 12p being the bid price value of the Company's shares at the date of the acquisition.

The goodwill that arose on the combination is attributed to the value of synergies expected to be derived from the combination and the value of the workforce of Artemis CCD Limited which cannot be recognised as an intangible asset under IAS 38.

Fair value adjustments made to the net assets were to recognise the technology based intangible assets acquired and associated deferred tax.

From the date of acquisition to 30 April 2009, Artemis CCD Limited made a profit after tax of £1,681. In its last financial year to 30 September 2007, Artemis CCD Limited made a profit before tax of £15,546. From 1 October 2007 to the date of acquisition Artemis CCD Limited made a profit of £15,496. From 1 October 2007 to the date of acquisition, Artemis CCD Limited had revenue of £303,000 of which £203,000 represented sales to other Group companies.

(b) On 16 October 2008, the Company acquired the entire issued share capital of Perseu Comercio De Equipamento Para Informatica E Astronomia SA (Perseu), a company incorporated in Portugal, for a consideration of £159,960 (excluding costs of acquisition). Costs of acquisition totalled £20,556.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

The assets and liabilities acquired were as follows;

	Book Value £	Fair Value adjustment £	Fair Value £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	55,483	(3,066)	52,417
Customer, related intangibles	-	21,000	21,000
<b>Current assets</b>			
Inventories	142,967	(45,639)	97,328
Trade and other receivables	59,623	-	59,623
Cash and cash equivalents	10,938	-	10,938
<b>Liabilities</b>			
Trade and other payables	(92,970)	-	(92,970)
Borrowings	(38,090)	-	(38,090)
Deferred tax	-	(4,200)	(4,200)
<b>Net assets acquired</b>	<b>137,951</b>	<b>(31,905)</b>	<b>106,046</b>
<b>Goodwill</b>			<b>74,470</b>
<b>Consideration and cost of investment</b>			<b>180,516</b>
<b>Satisfied by:</b>			
Shares issued			159,960
Acquisition expenses			20,556
			<b>180,516</b>

The consideration for the acquisition was satisfied by the issue of 1,333,000 ordinary shares in the Company. The consideration shares are to be allotted and issued to the Perseu sellers in two tranches: the first tranche of 666,500 Ordinary shares is to be allotted 12 months from the Completion date and the second tranche of 666,500 Ordinary shares is to be allotted 48 months from the Completion.

The Ordinary Shares were valued at 12p being the bid price value of the Company's shares at the date of the acquisition.

The goodwill that arose on the combination is attributed to the value of synergies expected to be derived from the combination and the value of the workforce of Perseu Comercio De Equipamento Para Informatica E Astronomia SA (Perseu), which cannot be recognised as intangible assets under IAS 38.

Fair value adjustments were made to the property, plant and equipment to write down the costs of an observatory to its estimated value. The fair value adjustment made to stock is to write down the value of astronomy stock to its net realisable value. In addition, a fair value adjustment has been made to recognise the customer related intangibles acquired and the associated deferred tax.

From the date of acquisition to 30 April 2009 Perseu made a profit after tax of €46,996. In the financial year to 31 December 2007, the company made a profit of €13,297. From 1 January to the date of acquisition, the company made a profit of €56,434. From 1 January 2008 to the date of acquisition, the company had revenue of €474,000 of which €207,000 represented sales to other Group companies.

The total cash expended on both acquisitions during the financial year was £87,800, being costs of £41,113 and cash consideration paid to date of £46,687. The cash acquired as part of the acquisitions was £13,775, leaving a net cash outflow of £74,025.

If the both acquisitions had been owned from the beginning of the period the consolidated revenue would have been £6,889,092 and consolidated profit would have been £51,505.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 12 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Computer equipment	Tools and other equipment	Furniture fixtures and fittings	Building and Leasehold improvements	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 May 2008	126,021	206,325	612,620	116,390	55,746	1,117,102
Exchange adjustments	-	-	77,436	-	5,944	83,380
Additions	1,531	16,042	203,791	2,836	13,715	237,915
Additions on acquisition	-	-	7,520	-	51,201	58,721
Disposals	(35,358)	-	(140,741)	-	-	(176,099)
At 30 April 2009	92,194	222,367	760,626	119,226	126,606	1,321,019
<b>Depreciation</b>						
At 1 May 2008	83,378	173,258	462,993	113,165	53,416	886,210
Exchange adjustments	-	-	41,646	-	-	41,646
Charge for year	21,289	18,464	91,693	2,177	4,057	137,680
Disposals	(35,358)	-	(43,538)	-	-	(78,896)
At 30 April 2009	69,309	191,722	552,794	115,342	57,473	986,640
Net book value						
<b>At 30 April 2009</b>	<b>22,885</b>	<b>30,645</b>	<b>207,832</b>	<b>3,884</b>	<b>69,133</b>	<b>334,379</b>
At 30 April 2008	42,643	33,067	149,627	3,225	2,330	230,892

The net book value of property, plant and equipment includes an amount of £92,248 (2008: £52,241) in respect of assets held under finance leases and hire purchase contracts. Of this amount £56,119 (2008: £nil) relates to property, £21,036 (2008: £25,073) relates to motor vehicles and £15,093 (2008: £27,168) relates to furniture, fixtures and fittings.

Depreciation on these assets is £1,025 (2008: nil), £18,370 (2008: £35,363) and £12,074 (2008: £9,056) respectively.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

	Motor vehicles	Computer equipment	Tools and other equipment	Furniture fixtures and fittings	Building and Leasehold improvements	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 May 2007	125,043	167,387	565,421	115,630	55,746	1,029,227
Additions	36,344	38,938	156,085	760	-	232,127
Disposals	(35,366)	-	(108,886)	-	-	(144,252)
At 30 April 2008	126,021	206,325	612,620	116,390	55,746	1,117,102
<b>Depreciation</b>						
At 1 May 2007	82,767	160,641	411,202	111,028	51,631	817,269
Charge for year	35,977	12,617	97,797	2,137	1,785	150,313
Disposals	(35,366)	-	(46,006)	-	-	(81,372)
At 30 April 2008	83,378	173,258	462,993	113,165	53,416	886,210
Net book value						
<b>At 30 April 2008</b>	<b>42,643</b>	<b>33,067</b>	<b>149,627</b>	<b>3,225</b>	<b>2,330</b>	<b>230,892</b>
At 30 April 2007	42,276	6,746	154,219	4,602	4,115	211,958

## 13 DEFERRED TAX

	Deferred tax asset £	Deferred tax liability £
At 1 May 2008	49,983	(47,872)
Tax losses utilised	(22,821)	(19,596)
Charge on intangibles recognised on acquisition	-	(43,200)
Other deferred tax on acquisitions	-	(433)
Share based payments	(4,203)	-
<b>At 30 April 2009</b>	<b>22,959</b>	<b>(111,101)</b>

	2009 Asset £	2009 Liability £	2008 Asset £	2008 Liability £
Deferred tax on capitalised R & D	-	(65,155)	-	(43,425)
Other temporary differences	13,822	(6,352)	16,369	(4,447)
Deferred tax on acquisition intangibles	-	(39,594)	-	-
Share based payments	9,137	-	12,305	-
Trading losses	-	-	21,309	-
	<b>22,959</b>	<b>(111,101)</b>	<b>49,983</b>	<b>(47,872)</b>



# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 14 INVENTORIES

	2009 £	2008 £
Raw materials and consumables	373,751	259,893
Work in progress	27,274	53,434
Finished goods	107,685	59,470
	<b>508,710</b>	<b>372,797</b>

In the year ended 30 April 2009 a total of £2,940,222 (2008: £2,431,066) of inventories were consumed and charged to the Income Statement as an expense. In addition a total charge of £6,000 (2008 £15,758) was made resulting from the write down of inventories.

## 15 TRADE AND OTHER RECEIVABLES

	2009 £	2008 £
Trade receivables	1,089,368	1,113,959
Other receivables	90,324	42,806
Prepayments and accrued income	65,154	67,792
	<b>1,244,846</b>	<b>1,224,557</b>

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

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

	2009 £
Impairment provision as at 1 May 2008	8,500
Impairment losses recognised	(630)
Increase in provision	22,130
<b>Provision as at 30 April 2009</b>	<b>30,000</b>

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

	2009 £	2008 £
Less than 1 month	308,103	227,519
More than 1 month but not more than 3 months	103,726	151,826
More than 3 months but not more than 6 months	18,778	4,604
More than 6 months but not more than 1 year	1,091	12,867
More than 1 year	1,966	4,088
	<b>433,664</b>	<b>400,904</b>

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

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 16 CASH AND CASH EQUIVALENTS

	2009 £	2008 £
Cash at bank and in hand	756,686	372,709

## 17 TRADE AND OTHER PAYABLES

	2009 £	2008 £
Trade payables	521,223	569,219
Social security and other taxes	56,587	46,031
Other payables	63,986	216,020
Accruals and deferred income	529,314	121,931
	<b>1,171,110</b>	<b>953,201</b>

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

## 18 LEASE LIABILITIES

The Group's motor fleet, a number of computers and a property in Portugal are held under finance lease arrangements. The net carrying amount of the assets held under leases is £92,248 (2008: £52,241).

30 April 2009	Within 1 year	1 to 5 years	Over 5 years	Total
Gross lease payments	35,071	29,072	29,243	93,386
Future interest	(4,923)	(9,385)	(5,239)	(19,547)
<b>Net Present Values</b>	<b>30,148</b>	<b>19,687</b>	<b>24,004</b>	<b>73,839</b>

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

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

## 19 WARRANTIES

	2009 £
As at 1 May 2008	10,000
Provision utilised during the year	(7,987)
Provided for in year	10,487
<b>Warranty provision as at 30 April 2009</b>	<b>12,500</b>

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

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 20 BORROWINGS

Borrowings are repayable as follows:

	2009 £	2008 £
Within one year		
Finance leases	30,148	29,3933
After one and within two years		
Finance leases	8,641	27,229
After two and within five years		
Loan stock	343,478	-
Finance leases	35,050	5,490
	378,528	5,490
<b>Total borrowings</b>	<b>417,317</b>	<b>62,112</b>

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

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

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

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

## 21 SHARE CAPITAL

	2009 £	2008 £
Authorised		
1,000,000,000 Ordinary shares of 1p each	10,000,000	1,000,000
Allotted, called up and fully paid		
16,663,842 Ordinary shares of 1p each	166,638	163,306

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.

During the year 333,280 share options were exercised at a value of 12.5 pence each. A total of £41,659 was received.

On 28 November 2008, the authorised share capital of the Company was increased from £1,000,000 to £10,000,000 by the creation of 900,000,000 ordinary shares of 1p each ranking pari passu in all respects with the existing ordinary shares of 1p each in the capital of the Company.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 22 EARNINGS PER SHARE

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

	Profits attributable to shareholders	Weighted average number of shares	Basic earnings per share amount in pence
<b>Year ended 30 April 2009</b>	<b>7,712</b>	<b>15,841,221</b>	<b>0.049</b>
Year ended 30 April 2008	149,069	15,424,899	0.97

The calculation of the diluted earnings per share is based on the profits attributable to the shareholders of Scientific Digital Imaging Plc divided by the weighted average number of shares in issue during the year, as adjusted for dilutive share options, dilutive deferred consideration and shares held by the Synoptics Employee Benefit Trust.

	Diluted earnings per share amount in pence
<b>Year ended 30 April 2009</b>	<b>0.042</b>
Year ended 30 April 2008	0.88

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

	2009	2008
Weighted average number of ordinary shares used for basic earnings per share	15,841,221	15,424,899
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	1,333,333	-
Weighted average number of ordinary shares under option	625,593	875,727
<b>Weighted average number of ordinary shares used for diluted earnings per share</b>	<b>18,511,675</b>	<b>17,012,154</b>

The calculation of the normalised earnings per share is based on the profits attributable to the shareholders of Scientific Digital Imaging Plc before currency exchange gains and AIM listing expenses.

## 23 OWN SHARES HELD BY EMPLOYEES BENEFIT TRUST

The Group	Investment in own shares £
At 1 May 2008	250,147
Movement in year	(164,764)
<b>At 30 April 2009</b>	<b>85,383</b>

As at 30 April 2009 the trust held 711,528 shares in Scientific Digital Imaging Plc following the group reorganisation.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 24 OPERATING LEASING COMMITMENTS

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

	2009 Land and buildings £	2009 Other £	2008 Land and buildings £	2008 Other £
In one year or less	101,084	4,564	80,419	3,435
Between one and five years	361,409	2,282	380,044	5,152
In five years or more	-	-	20,208	-
	<b>462,493</b>	<b>6,846</b>	<b>480,671</b>	<b>8,587</b>

Lease payments recognised as an expense during the year amount to £114,206 (2008: £78,554).

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

## 25 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

The Group's related parties comprise its Board of Directors. Unless otherwise stated, none of the transactions incorporated in these financial statements include any special terms or conditions. There is no ultimate controlling party.

## 26 CASH FLOW FROM ACQUISITIONS

As a result of the acquisitions the net cash flow of the Group was impacted as follows;

	2009 £
Cash generated from operating activities	32,542
Net cash used in investing activities	(4,579)
Financing	(1,391)
<b>Increase/(decrease) in cash</b>	<b>26,572</b>

## 27 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 2009, the amount of borrowings at a fixed rate was £379,000 (2008: nil).

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## Currency Risk

A significant proportion of the Group's assets are denoted in Dollars and Euros. An adverse movement in exchange rate could lead to a devaluation of these assets. At as 30 April 2009 an adverse movement in the dollar of 5% would result in a reduction in the Group's assets of £32,652 (2008: £22,196). An adverse movement in the Euro of 5% would result in a reduction in the Group's assets of £8,846 (2008: £nil)

The carrying amount of the Group's Dollar- and Euro-denominated monetary assets and liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2009	2008	2009	2008
US Dollars	128,024	83,867	781,061	549,991
Euros	144,221	-	311,390	-

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

## Credit Risk

The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade receivables recognised at the balance sheet date. Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

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

## Liquidity Risk

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

As at 30 April 2009, the Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £	Between 6 and 12 months £	Between 1 and 5 years £	Later than 5 years £
Trade and other payables	1,171,110	-	-	-
Borrowings	15,830	14,318	363,165	24,004

As at April 2008

	Current		Non-current	
	Within 6 months £	Between 6 and 12 months £	Between 1 and 5 years £	Later than 5 years £
Trade and other payables	953,201	-	-	-
Borrowings	15,065	14,328	32,719	-



# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 28 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 2009 £	Non financial assets 2009 £	Financial liabilities 2009 £	Non financial liabilities 2009 £	Total balance sheet heading 2009 £
Cash at bank	756,686	-	-	-	756,686
Trade receivables	1,089,368	-	-	-	1,089,368
Other receivables	134,737	-	-	-	134,737
VAT and taxation	-	20,741	-	(67,775)	(47,034)
Bank and other borrowings	-	-	(343,478)	-	(343,478)
Trade payable	-	-	(521,223)	-	(521,223)
Finance lease liability – current	-	-	(30,148)	-	(30,148)
Finance lease liability – non current	-	-	(43,691)	-	(43,691)
Other payables	-	-	(593,300)	-	(593,300)
<b>Total</b>	<b>1,980,791</b>	<b>20,741</b>	<b>(1,531,840)</b>	<b>(67,775)</b>	<b>401,917</b>

Balance sheet headings	Loans and other receivables 2008 £	Non financial assets 2008 £	Financial liabilities 2008 £	Non financial liabilities 2008 £	Total balance sheet heading 2008 £
Cash at bank	372,709	-	-	-	372,709
Trade receivables	1,113,959	-	-	-	1,113,959
Other receivables	91,210	-	-	-	91,210
VAT and taxation	-	19,388	-	(46,897)	(27,509)
Trade payables	-	-	(569,219)	-	(569,219)
Finance lease liability – current	-	-	(29,393)	-	(29,393)
Finance lease liability – non current	-	-	(32,719)	-	(32,719)
Other payables	-	-	(337,951)	-	(337,951)
<b>Total</b>	<b>1,577,878</b>	<b>19,388</b>	<b>(969,282)</b>	<b>(46,897)</b>	<b>581,087</b>

The fair values of the financial assets and liabilities at 30 April 2009 and 30 April 2008 are not materially different from their book values.

# Notes To The Consolidated Financial Statements

for the year ended 30 April 2009

## 29 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

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.

	2009 £	2008 £
<b>Capital</b>		
Total equity	1,846,422	1,402,806
Less cash and cash equivalents	(756,686)	(372,709)
	<b>1,089,736</b>	<b>1,030,097</b>
<b>Overall financing</b>		
Total equity	1,846,422	1,402,806
Plus borrowings	417,317	62,112
	<b>2,263,739</b>	<b>1,464,918</b>
<b>Capital-to-overall-financing ratio</b>	<b>48.1%</b>	<b>70.3%</b>



# Report Of The Independent Auditor

## On The Company Financial Statements

### Report Of The Independent Auditor 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 2009 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 Sections 495 and 496 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### 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 2009
- 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 2009.

**Alison Seekings**

**Senior Statutory Auditor**

**for and on behalf of Grant Thornton UK LLP**

**Statutory Auditor, Chartered Accountants**

**Cambridge**

## Financial Statements

# Company Balance Sheet

for the year ended 30 April 2009

	Note	2009 £	2008 £
<b>Fixed assets</b>			
Investments	5	626,522	175,940
<b>Current assets</b>			
Debtors	6	9,515	889
Cash at bank and in hand		889	35
		10,404	924
Creditors: amounts falling due within one year	7	(345,745)	(122,972)
<b>Net current assets</b>		<b>(335,341)</b>	<b>(122,048)</b>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year		(343,479)	-
<b>Net assets</b>		<b>(52,298)</b>	<b>53,892</b>
<b>Capital and reserves</b>			
Called up share capital	8	166,638	163,306
Share Premium account		38,327	-
Other reserves		393,089	12,634
Profit and loss account		(650,352)	(122,048)
<b>Shareholders' funds</b>	<b>9</b>	<b>(52,298)</b>	<b>53,892</b>

The financial statements were approved by the Board of Directors on 17th September 2009.



**Dr P Atkin**  
**Chief Executive Officer**

# Notes To The Company Financial Statements

for the year ended 30 April 2009

## 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

Scientific Digital Imaging Plc qualifies for merger relief under Companies Act 1985 s131, and has recorded the investment in Synoptics Limited at the nominal value of the shares issued, less provision for impairment.

### Share Options

Scientific Digital Imaging Plc regularly issues share options to employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense which is written off to the Profit and Loss account over the vesting period of the option. The amount to be expensed is determined by reference to the fair value of the options at the grant date.

### 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:

	2009 £	2008 £
Emoluments	59,467	-
Amounts payable to third parties in respect of directors' services	66,879	14,367
	<b>126,346</b>	<b>14,367</b>

During the period one director exercised 80,000 share options held over ordinary shares of Scientific Digital Imaging Plc.

Details of directors' interest in the shares and options of the Company are provided in the Remuneration Committee report on pages 15 and 16.

## 3 AUDITORS' REMUNERATION

Auditors' remuneration attributable to the Company is as follows:

	2009 £	2008 £
Statutory audit	5,000	5,000

The Company audit fee is borne by the subsidiary, Synoptics Limited



# Notes To The Company Financial Statements

for the year ended 30 April 2009

## 4 PROFIT 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 £ (528,304), (2008: (£122,048)).

## 5 INVESTMENTS

Investments in Group undertakings	£
Cost and net book amount	
Cost and net book amount as at 1 May 2009	175,940
Acquisition of Artemis CCD Limited	250,517
Acquisition of Perseu SA	180,516
Share based payments	19,549
<b>At 30 April 2009</b>	<b>626,522</b>

For details of the acquisitions please see note 11 to the consolidated financial statements.

Details of the investments are as follows:

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

# Notes To The Company Financial Statements

for the year ended 30 April 2009

## 6 DEBTORS

	2009 £	2008 £
Other debtors	9,515	889

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

## 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Amounts owed to other group companies	300,662	96,483
Trade creditors	6,242	26,489
Other creditors	23,313	-
Accruals and deferred income	15,528	-
	<b>345,745</b>	<b>122,972</b>

## 8 CALLED UP SHARE CAPITAL

	2009 £	2008 £
Authorised		
1,000,000,000 Ordinary shares of 1p each	10,000,000	1,000,000
Allotted, called up and fully paid		
16,663,842 (2008:16,330,560 ) Ordinary shares of 1p each	166,638	163,306

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

On 28 November 2008, the authorised share capital of the Company was increased from £1,000,000 to £10,000,000 by the creation of 900,000,000 ordinary shares of 1p each ranking pari passu in all respects with the existing ordinary shares of 1p each in the capital of the Company.

During the year 333,280 share options were exercised at a value of 12.5 pence each. A total of £41,659 was received.

### Share options

Two employee share option scheme (EMI scheme and approved scheme) has been established, under which options may be granted to employees (including directors) to subscribe for ordinary shares in the Company. A further share option scheme (unapproved scheme) has been established under which options may be granted to employees and directors to subscribe for ordinary shares in the Company. Both schemes have been approved by shareholders in general meetings. The approved scheme has been approved by HM Revenue & Customs as required by the Finance Act 1984 and the Finance Act 1980 respectively.

A summary of options outstanding currently is provided in Note 6 to the consolidated financial statements.

# Notes To The Company Financial Statements

for the year ended 30 April 2009

## 9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Loss for the financial period	(528,304)	(122,048)
Exercise of options	41,659	163,306
Issue of loan stock	40,986	-
Deferred consideration on investments	319,920	-
Share based payments	19,549	12,634
Net increase to Shareholders' funds	(106,190)	53,892
Shareholders' funds at 1 May 2008	53,892	-
<b>Shareholders' funds at 30 April 2009</b>	<b>(52,298)</b>	<b>53,892</b>

## 10 RESERVES

	Share Capital £	Share premium	Other Reserves £	Profit and loss account £	Total £
Balance at 1 May 2008	163,306	-	12,634	(122,048)	53,892
Loss for the year	-	-	-	(528,304)	(528,304)
Deferred consideration on acquisition	-	-	319,920	-	319,920
Issue of loan stock	-	-	40,986	-	40,986
Share options exercised	3,332	38,327	-	-	41,659
Share based payments	-	-	19,549	-	19,549
<b>Balance at 30 April 2009</b>	<b>166,638</b>	<b>38,327</b>	<b>393,089</b>	<b>(650,352)</b>	<b>(52,298)</b>

# Notice Of Annual General Meeting

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your shares in Scientific Digital Imaging plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Notice is hereby given that the Annual General Meeting ("Meeting") of Scientific Digital Imaging plc ("Company") will be held at Grant Thornton, 30 Finsbury Square, London, EC2A 1AG on 21st October 2009 at 11.00 a.m.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 4 will be proposed as ordinary resolutions and resolutions 5 and 6 will be proposed as special resolutions.

- 1.** To receive and adopt the Directors' report, the audited accounts and independent auditors' report for the period ended 30 April 2009 and to consider the recommendation of the Directors that no dividend be declared in respect of the year ended 30 April 2009.
- 2.** To reappoint Messrs Grant Thornton UK LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company at which accounts are laid before the members and to authorise the Directors to determine their remuneration.
- 3.** To re-appoint as a Director Phil Atkin who retires in accordance with Article 81 of the Company's Articles of Association ("Articles") and is entitled to be re-appointed in accordance with Article 87 of the Articles.
- 4.** That the Directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (as amended) (the "Act") in substitution for any existing authorities conferred upon the Directors pursuant to that section which are hereby revoked, to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal value of £100,000 to such persons at such times and on such terms as they think proper provided that the authorities conferred by this resolution to expire, unless previously revoked, varied or renewed at the conclusion of the Annual General Meeting of the Company in 2010 save that the Company may, prior to the expiry of such period, make any offer or agreement which requires or might require relevant securities to be allotted after the expiry of such period, and the Directors may allot relevant securities pursuant to such offer or agreement notwithstanding such expiry.

As special business, to consider and if thought fit, to pass the following resolutions as special resolutions:

- 5.** That subject to the passing of resolution 4 above the Directors be and they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) to section 94(3A) of the Act) of the Company for cash pursuant to the authority of the Directors under section 80 of the Act conferred by resolution 4 above for the duration of such authority, as if the provisions of section 89(1) of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
  - a)** the allotment of equity securities in connection with an issue or offer of equity securities by way of rights or otherwise open for acceptance for a period fixed by the Directors in favour of holders of equity securities and any other persons entitled to participate in such issue or offer in proportion (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date for such allotment (which shall include the allotment of equity securities to any underwriter in respect of such issue or offer), subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or practical problems arising under the laws of any overseas territory or the requirements of any regulatory authority or body or any stock exchange in any territory; and

# Notice Of Annual General Meeting

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

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

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words “pursuant to the authority of the Directors under section 80 of the Act conferred by resolution 4 above” were omitted.

6. That the Company be generally authorised to make market purchases (as defined by section 163(3) of the Act) of ordinary shares of £0.01 each in its capital, provided that:
- a) the maximum number of ordinary shares hereby authorised to be purchased is 2,482,912, being a number that approximates to 15% of the issued ordinary share capital of the Company at the date of the Meeting;
  - b) the minimum price, exclusive of any expenses, that may be paid for the ordinary shares is £0.01 per share being the nominal value of each ordinary share;
  - c) the maximum price, exclusive of any expenses, which may be paid for each ordinary share is an amount equal to 120% of the average of the middle market quotations for an ordinary share derived from the Daily List of the AIM market of London Stock Exchange plc for the ten business days immediately preceding the date on which such ordinary share is contracted to be purchased; and
  - d) the authority conferred by this resolution shall expire on the conclusion of the Annual General Meeting of the Company in 2010 but not so as to prejudice the completion of a purchase contracted before that date.

**By order of the Board**

*Clare Hough*  
*Company secretary*

**Scientific Digital Imaging plc**  
**Beacon House**  
**Nuffield Road**  
**Cambridge**

**CB4 1TF**

**14 September 2009**

# Notice Of Annual General Meeting

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specified that only those members registered on the Company's register of members at:
  - 6.00 pm on 19th October 2009; or,
  - if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

### Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in note 1 above will result in the proxy appointments being invalid.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

### Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars Limited, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars Limited no later than 11.00 am on 19th October 2009

CREST members should use the CREST electronic proxy appointment service and refer to note 8 below in relation to the submission of a proxy appointment via CREST.



# Notice Of Annual General Meeting

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or notarially certified copy of such authority) under which it is signed.

## Appointment of proxies through CREST

8. As an alternative to completing the hardcopy proxy form, CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (“**EUI**”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company’s agent (ID: RA10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first-named being the most senior).

## Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

# Notice Of Annual General Meeting

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars Limited, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

## Termination of proxy appointments

**11.** In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars Limited, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars Limited not less than 48 hours before the time for holding the Meeting or adjourned meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

## Corporate representatives

**12.** A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

## Issued shares and total voting rights

**13.** As at 9.00 am on 17th September 2009, the Company's issued share capital comprised 16,682,842 ordinary shares of 0.01p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 9.00 am on 21st October is 16,682,842.

## Communication

**14.** Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

- calling [the Capita Registrars shareholder helpline on 0871 664 0300 or, if calling from outside the UK on +44 208 639 3399 (calls cost 10p per minute plus network extras). The helpline is available between the hours of 9.00am and 5.00pm Monday to Friday excluding public holidays]; or

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.



**Scientific Digital Imaging plc**

Beacon House  
Nuffield Road  
Cambridge  
CB4 1TF  
UK

**Telephone:** +44 (0)1223 727144

**Fax:** +44 (0)1223 727101

**Email:** [info@scientificdigitalimaging.com](mailto:info@scientificdigitalimaging.com)

**Website:** [www.scientificdigitalimaging.com](http://www.scientificdigitalimaging.com)