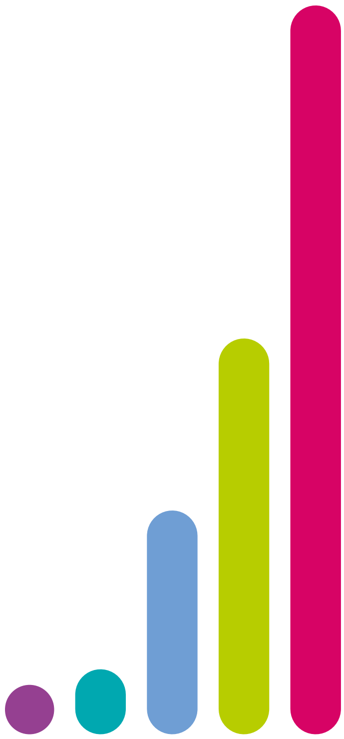
SDi GROUP



2018

Delivering our vision of strategic growth

Scientific Digital Imaging plc

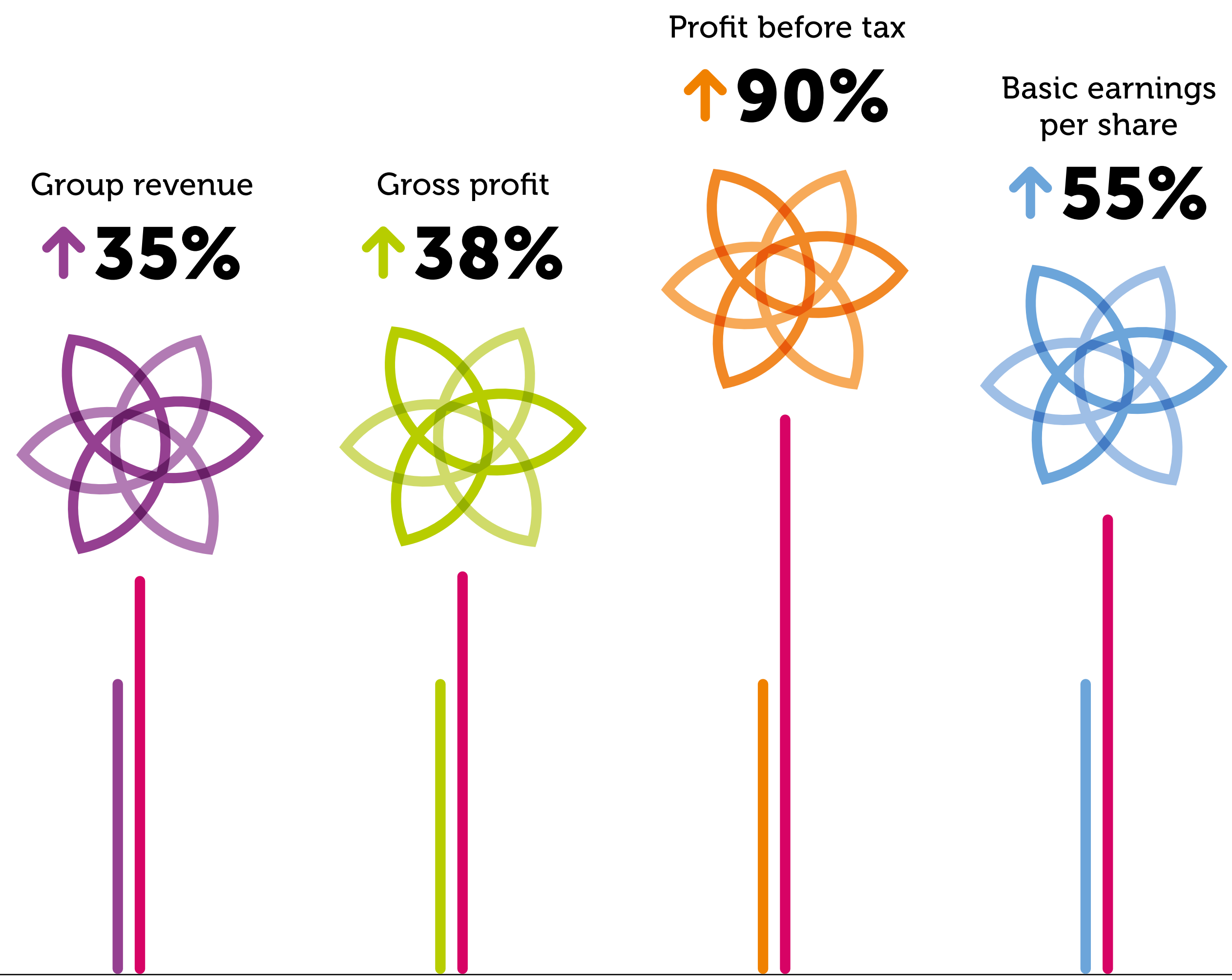
Annual Report and Accounts

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

Contents

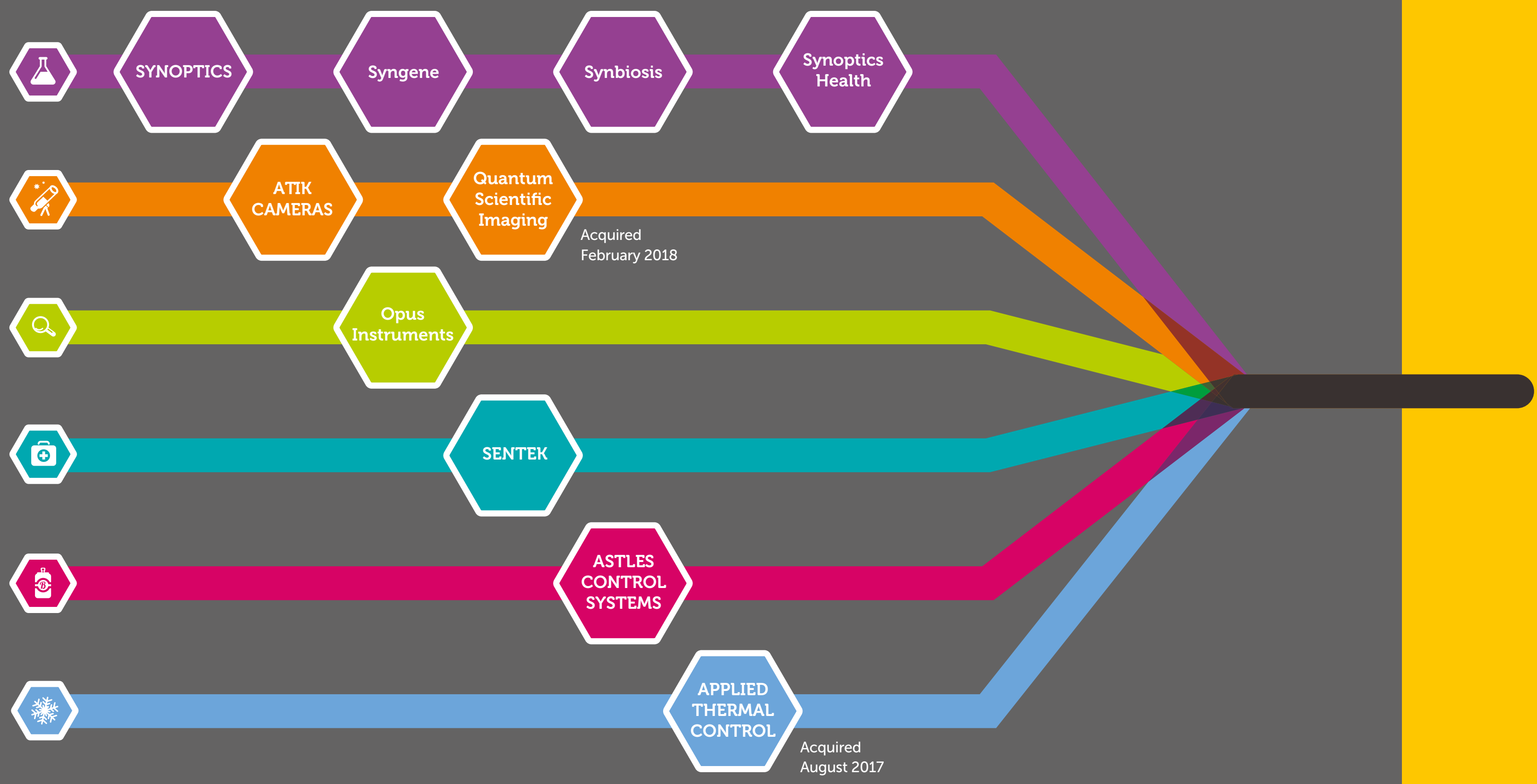
Financial highlights

- **Revenue increased by 35% to £14.5m** (2017: £10.7m)
- **Revenue growth driven by organic and acquisitions**; organic revenue growth delivered by Sentek and Atik Cameras with growth from acquisitions delivered by Astles Control Systems and Applied Thermal Control
- **Gross margin increased to 65.8%** (2017: 64.3%)
- **Adjusted profit before tax* increased by £991,000 to £2,300,000** (2017: £1,309,000)
- **Profit before tax increased by £810,000 to £1,713,000** (2017: £903,000)



Group overview

Our Vision – to develop our existing technologies and to grow through strategic acquisitions.



SYNOPTICS

Principal focus is on the application of digital imaging technology.

Offered through 3 brands:

Syngene

Produces advanced systems for documentation and analysis of gels for the molecular biologist.

Synbiosis

Provides equipment to the microbiologist to automate the process of microbial colony counting and zone sizing.

Synoptics Health

manufactures ProReveal, a test to detect residual proteins on surgical instruments using fluorescence.

ATIK CAMERAS

Designs and manufactures highly sensitive cameras. These are marketed for life science and industrial applications under its Atik Camera brand.

Opus Instruments

Atik Cameras (under the Opus Instruments brand) designs and manufactures cameras for art conservation and restoration.

Quantum Scientific Imaging

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

SENTEK

The Uk's largest independent producer of electrochemical, pH and conductivity sensors for water-based applications.

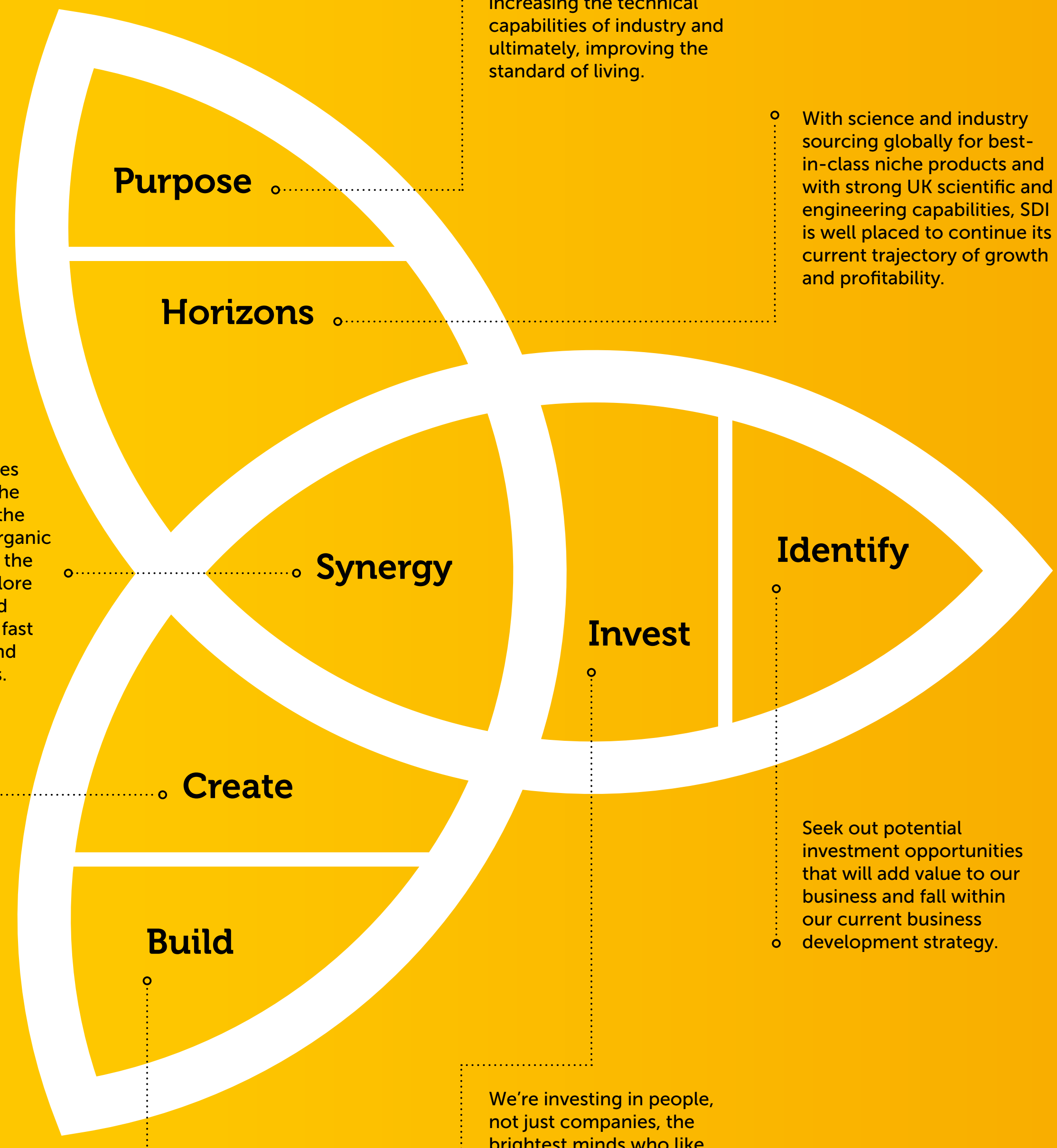
ASTLES CONTROL SYSTEMS

Astles Control Systems is a supplier of chemical dosing and control systems to different manufacturing industries including manufacturers of beverage cans, engineering and motor components, white goods, architectural aluminium and steel.

APPLIED THERMAL CONTROL

Applied Thermal Control ("ATC"), the largest acquisition made by the SDI Group during the financial year, designs and manufactures precision re-circulating chillers, coolers and heat exchangers used to control the thermal environment within life science and analytical system.

...and how we achieve it.



Purpose: Together, we are helping to advance medical and scientific knowledge, increasing the technical capabilities of industry and ultimately, improving the standard of living.

Horizons: With science and industry sourcing globally for best-in-class niche products and with strong UK scientific and engineering capabilities, SDI is well placed to continue its current trajectory of growth and profitability.

Synergy: Acquiring companies that complement the capabilities within the Group promotes organic growth. It provides the opportunity to explore new challenges and markets within the fast evolving science and technology sectors.

Identify: Seek out potential investment opportunities that will add value to our business and fall within our current business development strategy.

Invest: We're investing in people, not just companies, the brightest minds who like to make things better, faster, smaller, more efficient and reliable.

Build: Unlock the potential of the companies we invest in, enabling them to consolidate their technical capabilities and helping them grow in adjacent markets and geographical areas.

Create: The companies within the Group are at the forefront of scientific and technological innovation, addressing key challenges within their own niche markets.

Chairman's statement

OVERVIEW

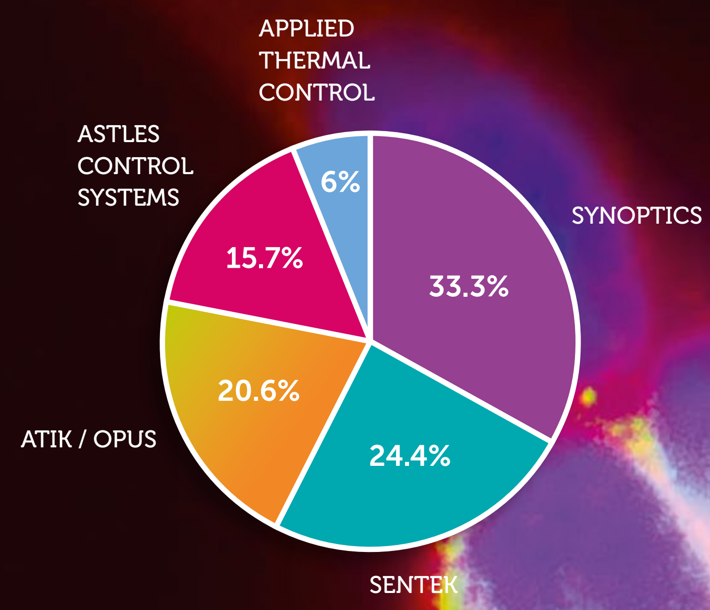
I have great pleasure to announce a record set of results. Revenue advanced from £10.7m in 2017 to £14.5m and generated operating profits of £1.8m. This compares with £1.0m in 2017 on an equivalent basis. The growth in revenues and profitability was through both organic growth and acquisitions.

During the year to 30 April 2018, Scientific Digital Imaging plc ("SDI") acquired one new business, **Applied Thermal Control** ("ATC"), a UK manufacturer of precision chillers, for £1.1m, as well as the assets and technology of **Quantum Scientific Imaging** ("QSI"), a US-based manufacturer of high performance cameras for $0.3m. These profitable businesses produce complementary technologies to those of existing businesses in the SDI Group and offer both sales growth and intra-company revenues.

KEN FORD
CHAIRMAN
26 July 2018

"We are investing in companies at the forefront of scientific and technological innovation"

Divisional percentage of Group turnover



ATC is developing a new environmentally-friendly product which can be used in automated systems alongside our Sentek single-use electrodes and offers an opportunity for cross-promotional marketing. Becoming part of the SDI group has allowed ATC access to new distributors and Original Equipment Manufacturers who are evaluating their products.

QSI was a smaller acquisition. Their technology, which is now being manufactured at Atik Camera's Lisbon site, provides the Atik camera range with a higher specification camera for astronomy and life science applications and completes its imaging portfolio.

These new acquisitions will help ensure the SDI Group achieves sustainable growth and profitability in the coming year. We are continuing with our successful buy and build strategy and have identified several other potential acquisitions with technologies which will complement the capabilities of our existing activities.

Board

The Board has been strengthened in 2018 with the addition of David Tilston as a Non-Executive Director and Jon Abell as Chief Financial Officer. I would like to thank Dr Ann Simon for her service as Non-Executive Director until September 2017.

Financial results

Revenue for the year ended 30 April 2018 was £14.5m (2017: £10.7m). This has resulted in an operating profit for the year of £1.8m. The Group gross margin is above the previous year and the additional profit has come from several SDI brands and the inclusion of a one-off retrospective licencing payment for the sale of Auto-Montage imaging software in Synoptics' sales, as previously disclosed in the interim results. Basic earnings per share were 1.81p (2017: 1.17p) and diluted earnings per share were 1.74p (2017: 1.14p).

Approximately 31% of the revenue growth arose organically with approximately 69% accounted for by acquisitions. The organic growth was delivered by Sentek and Atik Cameras with the growth from acquisitions delivered by Astles Control Systems and Applied Thermal Control.

Acquisitions and investments

During the year SDI has seen strong growth with our 2017 acquisition, Astles Control Systems (ACS) contributing high levels of profitability in its first full year of trading as part of the Group.

In the financial year to the end of April 2018, SDI successfully added ATC and QSI to the Group. The acquisitions have increased our in-house imaging capabilities and added another manufacturing site with complementary technology to our portfolio, and introduced new customers to the SDI group. ATC and QSI have not yet contributed a full year's revenue in 2018 as the businesses were only acquired in August 2017 and January 2018 respectively, but SDI expects these new acquisitions will enhance the earnings of the group in their first full trading year in 2018-19. SDI will continue to evaluate new technology businesses, with the intention of acquiring at least one additional company by the close of calendar 2018.

SDI also continues to invest in staff and facilities, as well as research and development to maintain SDI's technical expertise and production capacity. During the year we have continued to invest in research and development across the group, and are expanding capacity at Sentek through the recruitment of staff and the leasing of additional floor space.

Bank finance

During the year we refinanced our bank debt with a new £3m committed facility provided by HSBC Bank plc. This facility has a more flexible covenant package than the previous facility and has an accordion option which enables it to be extended to £5m with HSBC Bank plc's consent. The Company also has an option to extend the maturity of the facility by a maximum of an extra two years.

Dividend

The Board has decided not to declare a dividend for 2017-18 but will keep this matter under review.

Staff

On behalf of the Board, I would like to thank all our staff for their dedication and to ensuring that our products are delivered to budget, as well as meet our distributors, OEM and direct customers' technical expectations. The Board views the coming financial year with continued confidence.

Current trading and outlook

All parts of the Group have contributed to improved profitability this year, with Atik Cameras and Sentek being the major drivers of organic growth. Atik Cameras significantly exceeded its operating targets, driven mainly by repeat sales of a high specification camera to a major life science OEM (Original Equipment Manufacturer) customer. The imager range that uses this camera is now in full production and is selling well globally. The addition of QSI's technology to Atik Cameras offers the opportunity to market very high specification cameras into the life science sector. Atik Cameras expects the addition of new QSI cameras alongside the Atik ranges will ensure OEM sales continue to be strong throughout 2018/19.

Sentek also exceeded its targets mainly due to expansion of the OEM business, where major life science and healthcare firms have repeat forward orders to purchase single-use or limited life sensors for use in automated systems. This type of sensor business is therefore providing a continuous, sustainable revenue stream for Sentek and is expected to continue in the coming years.

The positive contribution of Atik Cameras and Sentek via their global OEM business, as well as direct sales of Synoptics and ACS products are expected to drive growth and profitability in 2018-19. To maintain and develop its portfolio, SDI will continue its proven strategy of organic and acquisitive growth.

The Board is confident that the SDI Group will continue to deliver profitable growth through increased revenue and new acquisitions in 2018-19.

Chief Executive's operating report

SDI designs and manufactures scientific products for use in applications including life sciences, healthcare, astronomy and art conservation, through its Synoptics Divisions (Syngene, Synbiosis and Synoptics Health) and its Atik brands (Atik Cameras, Opus Instruments and Quantum Scientific Imaging (QSI)). SDI also develops and manufactures precision chillers at ATC and electrochemical sensors through Sentek, as well as chemical dosing and control equipment, which uses these sensors via Astles.

During the year, SDI redesigned and launched a new website, making it easier for investors to navigate and understand our main business areas and which market segment they supply, as well as how each of the divisions complement each other.

The following paragraphs describe developments at SDI's brands:

MIKE CREEDON
CHIEF EXECUTIVE OFFICER
26 July 2018

ATIK CAMERAS

Atik Cameras designs and manufactures highly sensitive cameras. These are marketed for life science and industrial applications under its Atik Camera brand. In 2018, SDI acquired assets and technology from QSI to enable Atik Cameras to supply a very high specification camera, which will be available by Q4 2018. Several firms have expressed an interest in assessing the camera to produce the world's first 12Mp DNA and protein image analyser.

Integrating QSI's complementary imaging technology into the Atik Camera portfolio will ensure economies of scale in terms of overheads and development costs in the future.

Atik Cameras continued to increase penetration of its CCD cameras into life science applications this year, with a significant increase coming from high OEM sales volumes of a bespoke CCD camera to one of the world's leading life science companies. Sales of cameras to OEM customers, including intra-group sales to SDI's Synoptics brands accounted for around 75 percent of turnover this financial year and Atik Cameras expects this trend to continue in 2018-19.

In its amateur astronomy market, Atik Cameras introduced its new Atik Horizon camera, the first Atik camera to use CMOS (Complementary Metal-Oxide-Semiconductor) sensors instead of CCDs. CMOS sensors are less expensive than CCD-based sensors and the Atik Horizon is a competitively priced, yet sensitive, high megapixel camera.

Using this camera offers the opportunity to increase margin without compromising on image quality, and as well as being used by astronomers, this technology is being assessed by life science companies for use in their mid-range imaging systems.

To complete its portfolio in the astronomy market, Atik Cameras introduced the EFW3 Filter Wheel, an electronic filter wheel for large format cameras which will fit directly onto its high-resolution astrophotography camera, the Atik 16200 which was launched in 2017.

To service demand in the US amateur astronomer market, Atik Cameras has appointed a new distributor. Atik Cameras has recruited additional software design staff at its site in Lisbon to keep pace with new product development and manufacturing and will stay in its larger premises there for the foreseeable future.

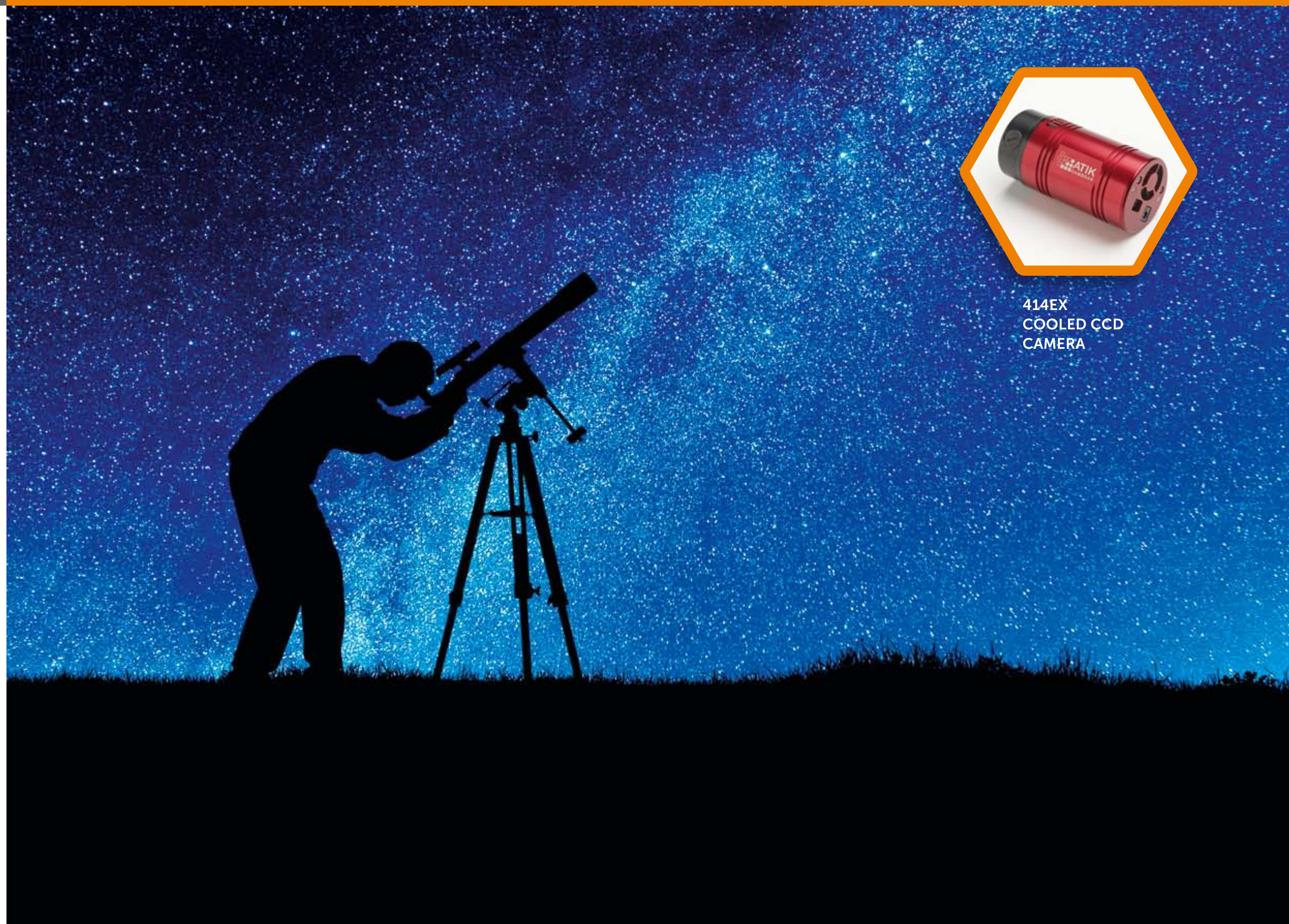
www.atik-cameras.com

INTRODUCING THE NEW **HORIZON CAMERA**, ATIK'S FIRST CAMERA TO USE CMOS SENSORS INSTEAD OF CCDs

ATIK CAMERAS CASE STUDY

ATIK CAMERAS DESIGNS AND MANUFACTURES A WIDE RANGE OF CAMERAS FROM ENTRY LEVEL TO THOSE USED IN PROFESSIONAL OBSERVATORIES. EVEN ENTRY LEVEL CAMERAS ARE CAPABLE OF STAGGERING RESULTS.

IN APRIL 2017, SERGIO KAMINSKY POSTED A PICTURE (SHOWN RIGHT), TAKEN WITH A MODEST **ATIK 414EX CAMERA**, OF TWO GALAXIES NEAR THE BIG DIPPER CONSTELLATION. THIS PART OF THE SKY IS OUTSIDE OF THE PLANE OF OUR GALAXY, SO THE SKY IN THIS AREA IS DARK WITH RELATIVELY FEW FOREGROUND STARS. SERGIO'S PICTURE PICKS UP THE WISPS OF THE INTEGRATED FLUX NEBULA, WHICH IS DUST OUTSIDE THE BODY OF OUR GALAXY AND LIT UP BY THE LIGHT FROM THE STARS IN THE MILKY WAY. THIS IS AT THE LIMIT OF WHAT'S POSSIBLE TO OBSERVE WITH AMATEUR EQUIPMENT.



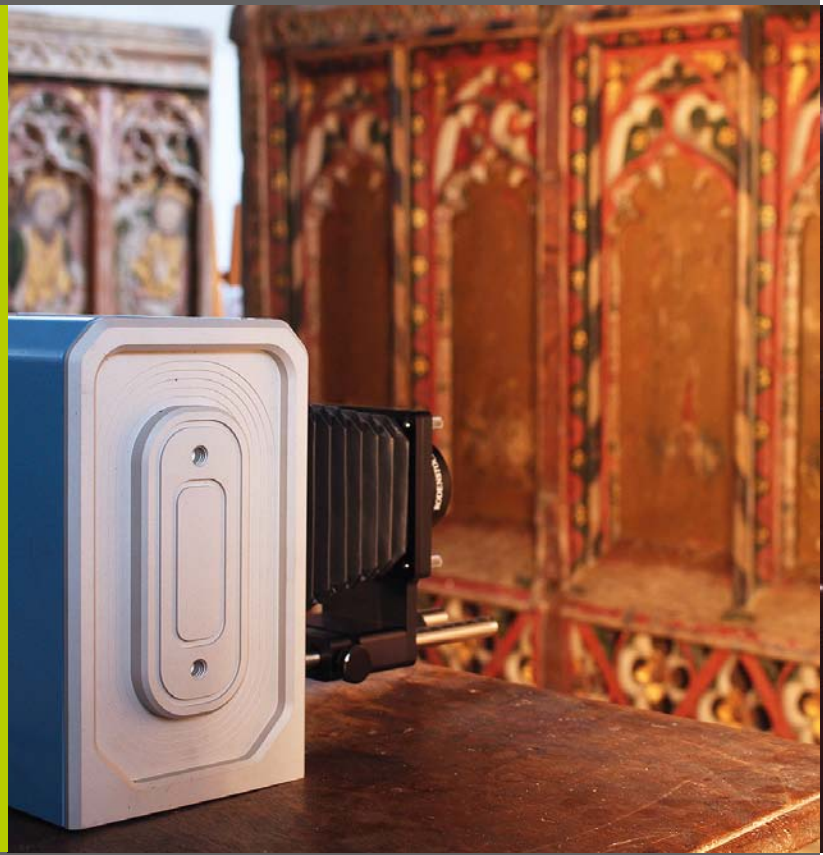
414EX COOLED CCD CAMERA

OPUS INSTRUMENTS CASE STUDY

THE **OPUS APOLLO CAMERA** IS THE NEW STANDARD IN INFRARED REFLECTOGRAPHY AND USES AN INTERNAL SCANNING MECHANISM TO PRODUCE HIGH-QUALITY, HIGH-RESOLUTION INFRARED REFLECTOGRAMS WITH AN UNPARALLELED LEVEL OF CLARITY AND DETAIL.

IT WAS USED IN FOULDEN CHURCH, AT THE REQUEST OF DR LUCY WRAPSON FROM THE HAMILTON KERR INSTITUTE. SHE IS CURRENTLY STUDYING AND RESTORING MEDIEVAL ROOD SCREEN PANELS IN THE NORFOLK AREA, WHICH HAS THE HIGHEST CONCENTRATION OF THESE TYPES OF ARTWORKS IN ENGLAND.

WE CAPTURED INFRARED REFLECTOGRAMS OF EIGHT OF THE PANELS THAT HAVE BEEN PAINTED OVER TO LOOK LIKE ORDINARY WOOD PANELS, REVEALING THE HIDDEN TREASURES BENEATH.



THE HORSEHEAD NEBULA AND THE FLAME NEBULA – IMAGE BY STEFAN MUCHENHUBER, USING A QSI CAMERA

Opus Instruments

Atik Cameras (under the Opus Instruments brand) designs and manufactures cameras for art conservation and restoration. In 2018 we developed and launched the Opus Apollo Infrared Reflectography camera. This new high-resolution camera generates up to 26MP images and has a higher dynamic range, providing superior image quality. This higher specification version of Opus' world-leading Osiris Infrared Reflectography camera, developed in collaboration with the National Gallery is in high demand with existing Osiris camera users. Two Apollo cameras have already been sold to major US art galleries, and there are forward orders for additional cameras.

www.opusinstruments.com

OPUS APOLLO INFRARED REFLECTOLOGY CAMERA

QSI CAMERAS EXCEL AT A VARIETY OF SCIENTIFIC IMAGING APPLICATIONS FROM CHEMILUMINESCENCE AND SPECTROSCOPY TO MATERIAL ANALYSIS, INTERFEROMETRY AND LASER-ILLUMINATED CONDENSATE STUDIES

Quantum Scientific Imaging

Quantum Scientific Imaging ("QSI") designs and manufactures a range of high performance cameras that have applications in astronomy, life sciences and flat panel inspection. In 2018, SDI acquired the assets, stock, designs and trademarks of QSI and shipped them from the firm's manufacturing site in Mississippi, USA, to Atik Cameras manufacturing facility in Lisbon, Portugal. QSI cameras are now in production there, while QSI customers can now access service and support from Atik Cameras headquarters in Norwich.

Atik Cameras plans to continue supplying QSI cameras to QSI's OEM customers for use in life science and flat panel inspection systems as well as direct sales into the amateur astronomy and art conservation markets. SDI expects QSI to be earnings enhancing for the Group in 2018-19.

www.qsimaging.com

APPLIED THERMAL CONTROL CASE STUDY

LOUGHBOROUGH UNIVERSITY HAVE INVESTED £25M IN INFRASTRUCTURE FOR THE SCIENCE AND ENGINEERING DEPARTMENTS INCLUDING £17M IN A NEW 3,500M² STEM LAB (SCIENCE, TECHNOLOGY, ENGINEERING AND MANUFACTURING), CENTRALISING WORLD-CLASS TEACHING AND RESEARCH FACILITIES.

WE WERE COMMISSIONED TO INSTALL CHILLERS FOR 5 XRD (X-RAY DIFFRACTION) TOOLS INTO THE NEW PHYSICS AND CHEMISTRY DEPARTMENT, WHICH ARE CURRENTLY UNDERGOING MAJOR REFURBISHMENT. THIS WAS THE FIRST INSTALLATION OF ITS TYPE FOR US – PART OF OUR STRATEGY TO REFOCUS ATTENTION ONTO THE END USER MARKET BY OFFERING ON-SITE INSTALLATION, SERVICING AND MAINTENANCE.

FIRST OF MANY – ON THE BACK OF THIS SUCCESS, WE ARE NOW WORKING ON SIMILAR PROJECTS FOR OTHER UNIVERSITIES AND COMMERCIAL ORGANISATIONS.

Images courtesy of Loughborough University

APPLIED THERMAL CONTROL

Applied Thermal Control ("ATC"), the largest acquisition made by the SDI Group during the financial year, designs and manufactures precision re-circulating chillers, coolers and heat exchangers used to control the thermal environment within life science and analytical systems. Applications for the products including electron microscopes, X-ray diffraction, mass spectrometers and bioprocess automation.

During the period, SDI invested in ATC to strengthen its in-house engineering and equipment servicing team. This has enabled ATC to develop a range of new chiller systems which will be available from autumn 2018. These chillers comply with new EU regulations that come into force from 2022 and prohibit the sale of equipment containing fluorinated greenhouse gas. The new range will work in bioprocessing automation and is being tested by one of the world's largest suppliers to that growing market, a market also served by Sentek.

ATC has not yet returned a full year's revenue as the company was only acquired in August 2017. Since ATC technology is a complementary fit to many of the known brands and products in the SDI Group, this has given US dealers, life science OEMs and major US research institutes the confidence to evaluate and stock ATC's chiller technology. SDI believes this interest from the US market, coupled with the launch of ATC's new environmentally-friendly products should allow ATC to be earnings enhancing for the Group in the new financial year.

www.app-therm.com

ASTLES CONTROL SYSTEMS

Astles Control Systems ("ACS") is a supplier of chemical dosing and control systems to different manufacturing industries including manufacturers of beverage cans, engineering and motor components, white goods, architectural aluminium and steel. The company supplies equipment with an average product life of ten years, as well as repeat business consumables.

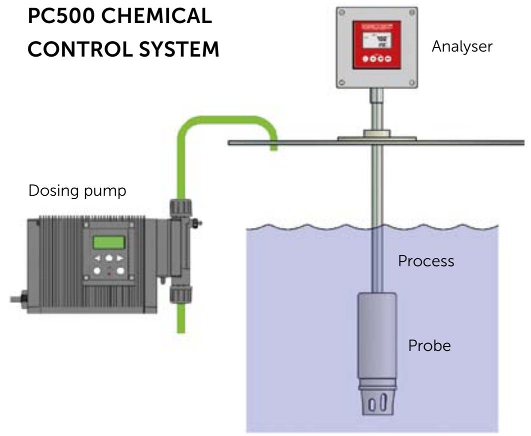
Since ACS utilises many of Sentek's electrochemical sensors in its product range, this has meant ACS has also contributed to intra-group revenues.

During the year, ACS introduced its new PC500 toroidal conductivity sensor for use in its chemical dosing and control systems and this is beginning to sell well world-wide. To ensure product development and custom products continue in line with demand, ACS has increased its staffing level by ten percent to strengthen its in-house engineering team.

The Board believes that ACS will continue to increase SDI's revenue utilising its current premises and expects ACS to maintain growth and intra-company revenues in the next trading year.

www.astles.co.uk

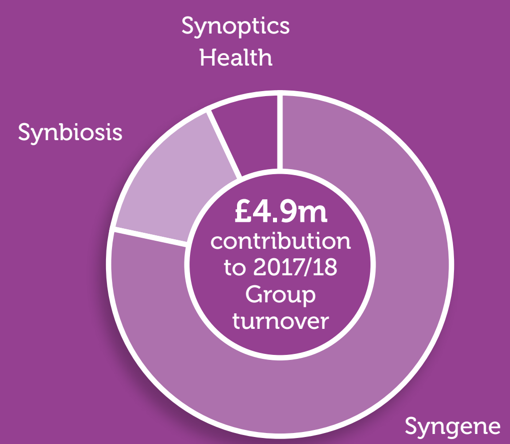
PC500 CHEMICAL CONTROL SYSTEM



SYNOPTICS

Synoptics designs and manufactures scientific instruments based on digital imaging, for the life science research, microbiology and healthcare markets. In terms of sales turnover, Synoptics remains the largest of the SDI companies and its divisions offer products brands including **NuGenius**, **G:BOX**, **ProtoCOL 3**, **Protos** and **ProReveal**, each targeting a different sector of these markets. Synoptics improved efficiency in the period due to consolidation of product ranges, and also received a one-off licencing payment for Auto-Montage software from a major microscope manufacturer.

SYNOPTICS divisions



SENTEK

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

Sentek had another good year especially with OEM business. During the period, Sentek signed a five-year exclusive contract to supply a large healthcare company with sensors for its blood gas analysers. These sensors are limited use, being used two to three times before disposal providing a repeat revenue stream. Sentek also signed a five-year contract with a major life science company to supply single-use sensors. These are utilised in disposable bioreactors by pharmaceutical and biotech companies for drug development. The firm using the Sentek sensors has seen significant uptake of their bioprocess automation globally, which has led to growth in sensor sales. Both OEM contracts are providing Sentek with continuous forward orders for 2018-19.

Sales of sensors to the laboratory sector directly and via its dealer network, account for 25 percent of Sentek's sales revenue. During the period, Sentek's on-line marketing strategies to make new and existing customers aware of its sensor portfolio attracted new distributors. This has resulted in Sentek working with a new French distributor and increasing sales of titration sensors in France. Sentek will continue with its on-line marketing campaign in the next financial year.

Sentek has increased staffing levels by ten percent this year and has strengthened in-house analytical chemistry expertise to maintain product quality and application support. It has also taken an opportunity to expand the facility from September 2018. Sentek is continuing to evaluate new types of glass for sensors, which will adhere to EU directives and expects to have fully-tested products ready to meet the 2021-22 deadline within the next two years.

SDI believes the combination of Sentek's OEM business and direct sales via distributors will provide an on-going profitable revenue stream for the next financial year.

www.sentek.co.uk

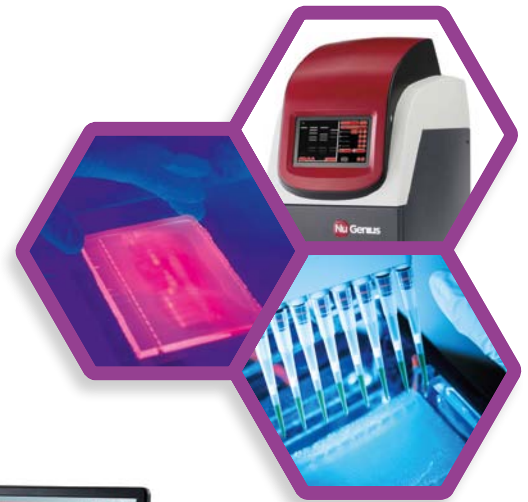
Syngene

In 2017, Syngene, which develops and manufactures systems and software for analysing gels and blots assessed its product portfolio and discontinued six low profit-margin product lines. The remaining more focused product range has been re-engineered using more cost-effective designs and components. The new ranges, which were launched in Q1 2018, have been rebranded and colour coded, with red systems being the affordable imagers and blue systems as the high specification image analysers. This rebranding has been supported with a new website and marketing materials, making it simpler for Syngene distributors to market and support these imagers.

This rebranding is proving successful and in the new look ranges, the NuGenius, entry level imager is selling well in Europe and Asia-pacific regions, while the G:BOX mini high-specification, small footprint image analyser is popular in the US market. Supplying a smaller range of competitively priced imaging systems is allowing economies of scale with component purchasing and reduced build costs. The Division is also contributing to intra-Group revenues as it is using Atik cameras in its mid and high-end imagers.

To keep pace with imaging developments, Syngene is now evaluating new light sources, lens and high-specification CCD cameras for integration into its range in 2019.

www.sygene.com



G:BOX MINI
IMAGE ANALYSER

SYNOPTICS HEALTH CASE STUDY

NOTTINGHAM UNIVERSITY HOSPITALS NHS TRUST, HAS ONE OF THE UK'S LARGEST STERILE SERVICES DEPARTMENTS (SSD). THEY ARE USING THE HIGHLY SENSITIVE **ProReveal** *IN SITU* FLUORESCENCE TEST TO QUANTIFY HOW MUCH PROTEIN REMAINS ON SURGICAL INSTRUMENTS AFTER THEY HAVE BEEN DECONTAMINATED.

*"**ProReveal** is great technology and is easy to use as it guides us step by step. The best thing about having a ProReveal is that if there are process issues we don't have to rely on subjective judgement calls as we have traceable, quantitative data to assure us that the surgical instruments we're sending back to be used on patients are safe and fit for purpose."*

ALISON GEE STERILE SERVICES AND STORES MANAGER

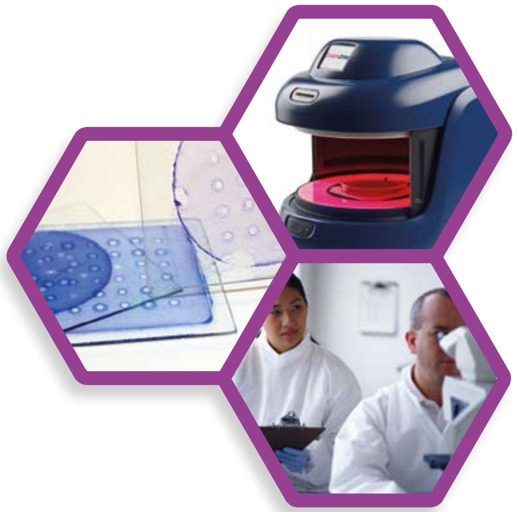
Synbiosis

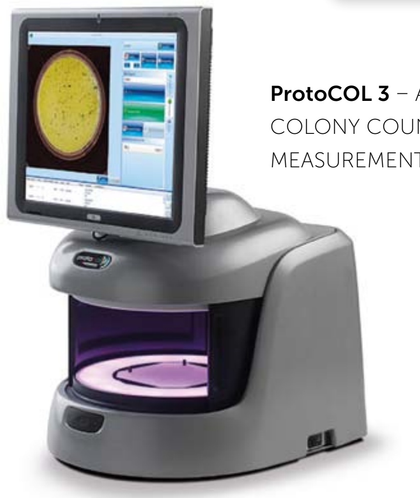
Synbiosis provides automated and manual systems for microbiological testing in food, water, pharmaceutical and clinical applications. In 2018, the Division introduced the ProtoCOL 3 HD, automated colony counting and zone measurement system. This system includes a sensitive new camera which can generate high definition images of colonies and inhibition zones. The new ProtoCOL 3 HD and existing ProtoCOL 3 systems are selling well globally to major pharmaceutical companies where they continue to be the gold standard for testing human and veterinary antibiotics and vaccines via automated colony counts and inhibition zone measurement.

Since pharmaceutical firms need to automate and standardise their microbiology applications, Synbiosis is working with an automation company to produce a fully integrated automated plate feed for the ProtoCOL 3 systems. Synbiosis will launch this new automated plate feeder by Q4 2018 and expects to see uptake of this product by existing and new ProtoCOL 3 users in 2019.

Synbiosis expects its new and existing automation for antimicrobial resistance and vaccine testing will continue to drive profitable growth in the next financial year.

www.synbiosis.com





ProtoCOL 3 – AUTOMATED COLONY COUNTING & ZONE MEASUREMENT SYSTEM

Synoptics Health

Synoptics Health manufactures and supplies ProReveal, a highly sensitive fluorescence-based patented protein detection test to check for residual protein on surgical instruments after they have been through a washer disinfector. The ProReveal conforms to BS EN ISO 15883-1 and is the only commercial test currently available that complies with UK Department of Health (DoH) guidelines (https://www.gov.uk/government/publications/management-and-decontamination-of-surgical-instruments-used-in-acute-care) for preventing iatrogenic variant Creutzfeldt-Jakob disease (vCJD) infection. These state that protein levels on a surgical instrument should be measured directly on the surface rather than by swabbing or other commonly used methods. All NHS England hospitals received a letter from the DoH stating that instruments likely to be in contact with high risk neurological tissue, were expected to move to *in situ* protein detection methodologies by July 2017.

The new DoH guideline, has resulted in targeting ProReveal to major teaching hospitals specialising in neurosurgery and orthopaedics in England, Wales and Northern Ireland. This includes a sale to Nottingham University Hospitals NHS Trust, one of the UK's largest NHS run Sterile Services Departments (SSDs), where the test is now in regular use. The test is also in use at and has also been endorsed in an article from the University Hospitals Coventry and Warwickshire (UHCW) NHS Trust, published in the well-respected publication, the Clinical Services Journal https://www.clinicalservicesjournal.com/story/26036/implementing-an-in-situ-test-to-detect-residual-proteins-on-surgical-instruments. There is now a group of committed ProReveal Product Champions in the NHS that have set up a user group to promote the technology and its application. Synoptics Health believes this will further encourage uptake of ProReveal by the NHS.

ProReveal is now also considered by the decontamination industry to be the gold standard test for detecting proteins on surgical instruments, resulting in ProReveal being purchased by sonic cleaning systems' manufacturers and decontamination service companies to validate their cleaning processes.

The increasing numbers of ProReveal tests in regular use during the period has resulted in a continuous revenue stream from associated consumables, as the test requires a spray to detect proteins.

www.synopticshealth.com

The SDI Group now has a range of brands, technologies, production facilities and sales channels covering diverse technology sectors and geographical markets, ensuring our portfolio is profitable and with the opportunity for continued organic growth and related-market acquisition activity. The outlook for SDI in the next financial year continues to be positive.

Strategic report

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

The Board intends to pursue a strategy of acquiring related companies, as well as seeking to generate organic growth. The Board believes there are many businesses operating within the market, a number of which have not achieved critical mass, and that this presents an ideal opportunity for consolidation. This strategy will be primarily focused within Europe but, where opportunities exist, acquisitions in the United States and elsewhere will also be considered. In previous years we have acquired Atik Cameras, Opus Instruments, Sentek and Astles Control Systems. This acquisition strategy continued through the financial year ended 30 April 2018 with two acquisitions completed during the year, Applied Thermal Control and Quantum Scientific Imaging.

The Chairman's Statement and Chief Executive's operating report, which appear on pages 04 to 15, give an overview of the performance of the Group during the year and likely future developments.

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

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

Group Summary
Group revenue for the year is £14.5m (2017: £10.7m)

Gross profit increased to £9.5m (2017: £6.9m) with increased gross margin at 65.8% (2017: 64.5%).

Operating profit for the year was £1,776k (2017: £964k), and £2,069k (2017: £1,218k) before reorganisation costs, acquisition costs and share based payments.

Financing expense was £63k (2017: £61k).

Investment in R&D
Total research and development in the current year was £856k, representing 5.9% of Group sales (2017: £781k representing 7.3% of Group sales). Under IFRS we are required to capitalise certain development expenditure and in the year ended 30 April 2018 £606k (2017: £630k) 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 2018 was £528k (2017: £404k). The carrying value of the capitalised development at 30 April 2018 was £1,186k (2017: £1,108k) to be amortised between 3 -5 years.

Reorganisation Costs
The Board carries out a thorough review of the operations and structures of the Group which gave rise to £63k (2017: £87k) of costs from the review and reorganisation incurred in 2018.

Acquisition and Fundraising Costs
£165k of costs relate to the acquisition of Astles Control Systems, Applied Thermal Control and Quantum Scientific. In 2017 the Group also incurred £165k of costs relating to the acquisition of Astles Control Systems.

Earnings per Share
Basic earnings per share for Group was 1.81p (2017: 1.17p) and diluted earnings per share for the Group was 1.74p (2017: 1.14p).

Finance Costs and Income
Net financing expense was £63k (2017: £61k).

Taxation
Taxation for the year was £98k (2017: £75k) arising through improved profitability.

Cash Flow
During the year the Group generated cash from operating activities of £2,579k (2017: £1,326k) and reported a cash balance of £2.01m (2017: £2.35m) at the year end. Net cash (cash less debt) including deferred consideration to be paid shortly in relation to the recent Applied Thermal Control acquisition stood at £435k (2017: net cash £212k).

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

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

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

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

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

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

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

Brexit
The Group manufactures its products in the UK and in Portugal, and sells worldwide. The impending exit of the UK from the European Union may cause some initial disruption to goods movements, may increase barriers to trade between the UK and the EU, and may impact the investment plans of some of our customers. There are likely also to be macroeconomic developments impacting exchange rates, interest rates, GDP growth and government spending levels. The Group has operating flexibility to mitigate some of the potential effects, but is exposed to economic downturns within the markets in which it operates,

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

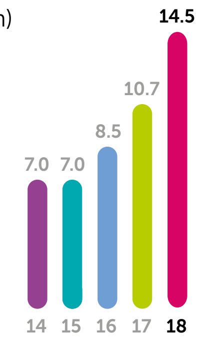
Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within this Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 32-35. In addition, notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Board has prepared forecasts for the period to 31 December 2019. These reflect the sales projections for new products coming on stream as a result of the Group's research and development activity and continued cost management. The Group meets its cash flow and borrowing requirements through an invoice discounting facility which is a 12 month rolling contract and a bank loan as detailed in note 19. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board is confident that continued focus on research and development, new product development and sales & marketing will deliver growth. The Board considers that the Group will have adequate cash resources within its existing facilities to continue to trade for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

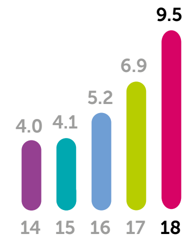
The successful implementation of our acquisition strategy depends on our ability to identify targets, in completing the transactions, to achieve an acceptable rate of return, and to successfully integrate the business in a timely manner post acquisition.

Five-year summary

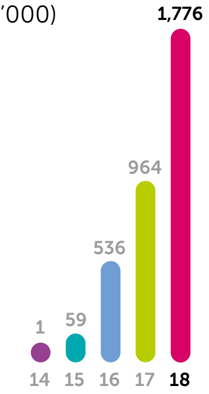
Group revenue (£m)



Gross profit (£m)



Operating profit (£'000)



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

MIKE CREEDON
CHIEF EXECUTIVE OFFICER
26 July 2018

Board of Directors

KEN FORD
CHAIRMAN

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

MIKE CREEDON
CHIEF EXECUTIVE OFFICER

Mike joined the Board in 2010. A Chartered Certified Accountant with an MBA from Henley Management College, Mike brings to SDI considerable experience of working within quoted companies and technology businesses, and fundraising, mergers and acquisitions. In particular, he has recent experience of AIM-listed technology companies.

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

JON ABELL
CHIEF FINANCIAL OFFICER

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

Jon started his career as a financial analyst and then management accountant for various industrial companies in the UK and Italy, before undertaking his MBA at Columbia Business School. He subsequently went on to senior financial management roles in Germany, the Netherlands, USA and UK including at Philips Electronics and Broadcom Inc.

ISABEL NAPPER
NON-EXECUTIVE DIRECTOR

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

DAVID TILSTON
NON-EXECUTIVE DIRECTOR

David joined the Board in July 2017 and has over 30 years' experience in finance functions within public companies. Most recently, David held the role of Interim Group CFO at the LSE Main Market listed company Northgate plc. Prior to that, David held senior finance roles at Consort Medical plc, Innovia Group, Mouchel Group plc, Findel plc, SABMiller plc and SThree plc.

Group Executive

KATY GEORGE
DIRECTOR
SYNOPTICS

CLARE HOUGH
DIRECTOR
SYNOPTICS

STEVE CHAMBERS
DIRECTOR
ATIK CAMERAS

PAUL COOK
DIRECTOR
SENTEK

KEN PETRIE
DIRECTOR
SENTEK

ROBERT PONIATOWSKI
DIRECTOR
APPLIED THERMAL CONTROL

PETER ASTLES
MANAGING DIRECTOR
ASTLES CONTROL SYSTEMS

HAL STEPHENSON
DIRECTOR
ASTLES CONTROL SYSTEMS

Report of the Directors

Group results
The Group profit for the year after taxation amounted to £1,615k (2017: £828k) 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.

E K Ford | M J Creedon | I Napper | Dr A Simon (resigned 27 September 2017) | D Tilston (appointed 26 July 2017) | J Abell was appointed to the Board after the year end.

The interests of the Directors and their families in the share capital of the Company are shown in the Remuneration report on page 23.

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

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

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

At the Annual General Meeting held on 25 September 2017, 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 £296,000. Issue equity securities for cash, otherwise than to existing shareholders in proportion to their existing shareholdings, up to an aggregate nominal value of £44,432.

Similar powers will form part of the resolutions to be put to the forthcoming AGM to be held on 25 September 2018.

Structure of share capital
As at 30 April 2018 the Company's authorised share capital of £10,000,000 comprised 1,000,000,000 ordinary shares of 1p each.

As at 30 April 2018 the Company had 89,633,424 (2017: 88,864,194) ordinary shares in issue with a nominal value of 1p each.

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

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

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

Substantial shareholdings
As at 30 April 2018 the following shareholders had each notified the Company that they held an interest of 3% or more, in the Company's ordinary share capital.

	Number of ordinary shares	Percentage of share capital
Business Growth Fund	10,769,231	12.01%
Octopus Investments	7,706,430	8.60%
Miton Asset Management	5,089,930	5.68%
Berenberg Wealth and Asset Management	4,658,873	5.20%
Canaccord Genuity Group	4,081,834	4.55%

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

On behalf of the Board

MIKE CREEDON
CHIEF EXECUTIVE OFFICER
26 July 2018

Corporate governance statement

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

The workings of the Board and its committees
SDI does not comply with the UK Corporate Governance Code but has reported on the Company's Corporate Governance arrangements drawing upon best practice available, including those aspects of the UK Corporate Governance Code which the Board considers to be relevant to the Company. The Board will address requirements to formally adopt a governance code in advance of the requirement to do so.

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

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

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

The Board is collectively responsible for the performance of the Group and is responsible to shareholders for proper management of the Group. A statement of Directors' responsibilities is given on page 24 and a statement on going concern is given on page 17.

The Board has a formal schedule of matters specifically reserved to it for decisions including the approval of annual and interim results and recommendation of dividends, approval of annual budgets, approval of larger capital expenditure and investment proposals, review of the overall system of internal control and risk management and review of corporate governance arrangements. Other responsibilities are delegated to the Board Committees, being the Audit 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 23.

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

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

Corporate governance statement CONTINUED

Audit Committee (CONTINUED)

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. 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 Committee

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

Statement about basis of preparation

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

Remuneration policy

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

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

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

Basic salary and benefits

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

Directors' remuneration and pension entitlements

The remuneration of the Directors is set out below:

	Salary /Fees £'000	Bonus £'000	Taxable Benefits £'000	Pension £'000	2018 Total £'000	2017 Total £'000
K E Ford	43	-	-	-	43	30
M Creedon	128	40	1	6	175	147
I Napper	24	-	-	-	24	4
A Simon	10	-	-	-	10	20
J Gibbs	-	-	-	-	-	20
D Tilston	19	-	-	-	19	-
	225	40	1	6	271	221

Directors' beneficial interests

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

	2018 Number	2017 Number
K Ford	1,350,000	1,250,000
M Creedon	146,924	146,924
D Tilston	70,000	-

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

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

	2018 Number	2017 Number
K E Ford	500,000	-
M Creedon	1,385,000	385,000
I Napper	250,000	-
D Tilston	250,000	-

Service contracts

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

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

Remuneration policy for Non-Executive Directors

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

Director's responsibilities

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

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

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

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

The Directors confirm that:

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

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

By order of the Board

KEN FORD
CHAIRMAN
26 July 2018

MIKE CREEDON
CHIEF EXECUTIVE OFFICER
26 July 2018

Report of the Independent Auditor

Independent auditor's report to the members of Scientific Digital Imaging Plc

Opinion

Our opinion on the financial statements is unmodified
We have audited the financial statements of Scientific Digital Imaging Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 April 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 30 April 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

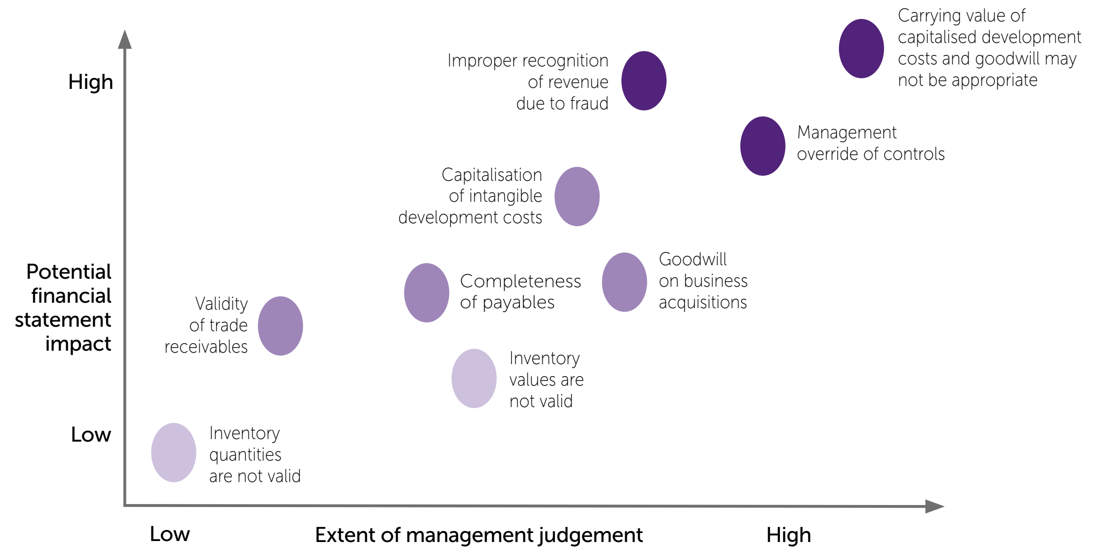
Report of the Independent Auditor CONTINUED

Overview of our audit approach

- Overall materiality: £96,000, which represents 5% of the group's profit before taxation before reorganisation costs;
- We performed full scope procedures at Scientific Digital Imaging Plc, Synoptics Limited, Synoptics Inc, Atik Cameras Limited, Sentek Limited, Astles Control Systems Limited and Applied Thermal Control Limited; targeted procedures on Perseu Comercio De Equipamento Para Informatica E Astronomica SA; analytical procedures were performed for all other components; and
- Key audit matters were identified as
  - improper recognition of revenue due to fraud;
  - the capitalisation of intangible development costs may not be appropriate; and
  - impairment of the carrying value of capitalised development costs.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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

Key audit matter – GROUP	How the matter was addressed in the audit – GROUP
Improper recognition of revenue due to fraud	
Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The Group has recognised revenues of £14.5m (2017: £10.7m) in the year, which is comprised of revenues from sales of goods, contract income and services. The nature of the Group's revenue involves the processing of numerous transactions, with each stream possessing different revenue recognition criteria. As the Group's revenue is material to the financial statements, comprises various streams and is subject to different recognition policies, the presumed risk of improper recognition of revenue due to fraud has been identified as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether revenue recognition policies are compliant with relevant accounting standards and checking consistency with prior year; • analytical procedures over revenue to identify and analyse key movements and significant transactions which have occurred in the year; • obtaining explanations and corroborating evidence for key movements and significant transactions identified; • testing a sample of revenue transactions in respect of sale of goods and agreeing them to signed contracts or shipping documentation to vouch that income has been appropriately recognised; • testing a sample of revenue transactions in respect of contract income for services by obtaining purchase orders and supporting documentation, recalculating the revenue recognised, and verifying the appropriateness of any deferred or accrued income at year end; and • agreeing a sample of transactions around the year end to supporting documentation to ensure cut off has been correctly applied. The Group's accounting policy on revenue recognition is disclosed in note 3 to the financial statements and related disclosures are included in note 5. **Key observations** Our testing did not identify any material misstatements in the revenue recognised during the year or any instances of revenue not being recognised in accordance with stated accounting policies and IFRSs.

Report of the Independent Auditor CONTINUED

Key audit matter – GROUP	How the matter was addressed in the audit – GROUP
Carrying value of capitalised development costs and goodwill may not be appropriate	
The carrying value of goodwill on acquisitions at the year end amounted to £5.4m (2017: £4.9m). The net book value of capitalised development costs at the year end amounted to £1.2m (2017: £1.1m), including amortisation charged in the year on capitalised development costs of £0.57m (2017: £0.40m). These costs are amortised by the Group to ensure the capitalised cost reflects the anticipated benefit of the development project to the Group over time. In accordance with IAS 36, 'Impairment of Assets', an annual review is required to assess whether there is any indication that assets may be impaired. Due to the financial performance of the Group, impairment reviews have been performed by management to determine whether the carrying value of each of both development costs and goodwill is appropriate. The impairment reviews of development costs are based on identifiable assets for which future revenues and gross margins can be assigned to calculate a value in use based on a discounted cash flow model. The impairment reviews of goodwill are based on forecasting cash flows relating to cash generating units using a discounted cash flow model. Due to the inherent uncertainty and key assumptions involved in forecasting and discounting future cash flows, we therefore identified the carrying value of capitalised development costs and goodwill as not appropriate a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ● ensuring the amortisation policy relating to capitalised development costs was consistent with prior year and assessing the adequacy of the useful economic life; ● comparing the carrying value of each of the development projects and goodwill against the net present value calculations, produced by management, based on future cash flows; ● checking the mathematical accuracy of the impairment models for capitalised development costs and goodwill; ● testing the accuracy of management's forecasting by comparing the 2018 budgeted sales and gross profit to the results achieved for the year; ● challenging management on the basis of key assumptions used within the forecasts; ● performing sensitivity analysis of cash flow inputs including the discount rate applied; and ● discussing and corroborating the ongoing viability of development projects with relevant Group personnel. The Group's accounting policy on intangible assets is disclosed in note 3 to the financial statements and related disclosures are included in note 10. **Key observations** Our testing did not identify any material misstatements in the revenue recognised during the year or any instances of revenue not being recognised in accordance with stated accounting policies and IFRSs.

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

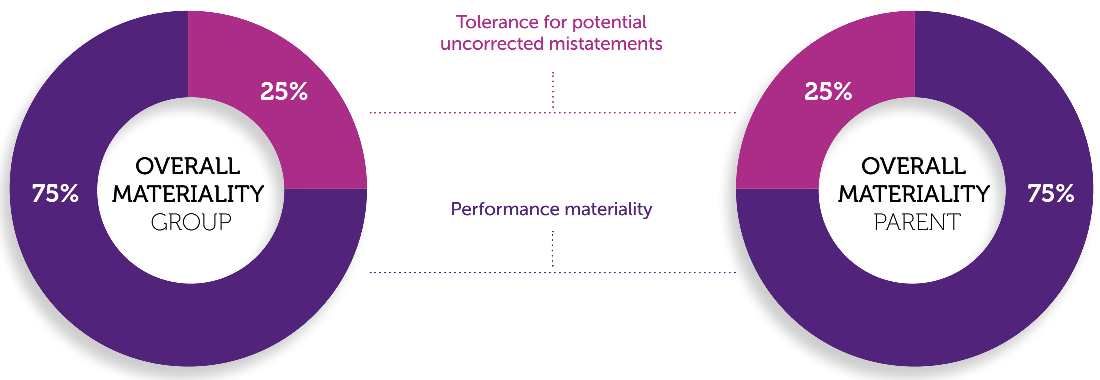
Our application of materiality

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

Materiality was determined as follows:

Materiality measure	GROUP	PARENT
Financial statements as a whole	£96,000 which is 5% of estimated profit before tax and reorganisation costs. This benchmark is considered the most appropriate because the net trading result is a key measure used by management in assessing the performance of the business. Materiality for the current year is higher than the level that we determined for the year ended 30 April 2017 to reflect the increased trading following growth in the Group.	£27,000 which is 5% of estimated loss before tax. This benchmark is considered the most appropriate because it is consistent with the rest of the Group and net trading result is a key measure used by management. Materiality for the current year is equal to the level that we determined for the year ended 30 April 2017.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for directors' remuneration and related party transactions due to the inherent sensitivity of these transactions and related disclosures.	We also determine a lower level of specific materiality for directors' remuneration and related party transactions due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	£4,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£1,350 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



Report of the Independent Auditor CONTINUED

An overview of the scope of our audit

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

- evaluation by the group audit team of identified components to assess the significance of each component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the Group's total assets, revenues and profit before taxation;
- full scope audit procedures performed at Scientific Digital Imaging plc, Synoptics Limited, Synoptics Inc, Sentek Limited, Astles Control Systems Limited, Atik Cameras Limited, Applied Thermal Control Limited, targeted procedures performed at Perseu Comercio De Equipamento Para Infomatica E Astronomica SA, and analytical procedures performed at all other components;
  - the total percentage coverage of full-scope and targeted procedures over the Group's revenue was 100%;
  - the total percentage coverage of full scope and targeted procedures over the Group's total assets was 100%; and
  - our audit approach in the current year is consistent with the audit approach adopted for the year ended 30 April 2017, being substantive in nature.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 02-24, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

David Newstead

DAVID NEWSTEAD
SENIOR STATUTORY AUDITOR

for and on behalf of
GRANT THORNTON UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

26 July 2018

Consolidated income statement
for the year ended 30 April 2018

	Note		2018		2017
		£'000	£'000	£'000	£'000
Revenue	5		14,496		10,748
Cost of sales			(4,954)		(3,837)
Gross profit			9,542		6,911
Administrative expenses			(7,766)		(5,947)
Operating profit			1,776		964
Analysed as:					
Gross profit		9,542		6,911	
Other administrative expenses		(7,473)		(5,693)	
		2,069		1,218	
Reorganisation costs		(63)		(87)	
Share-based payments		(65)		(2)	
Acquisition and fundraising costs		(165)		(165)	
Operating profit		1,776		964	
Finance payable and similar charges	8	(63)		(61)	
Net financing expenses			(63)		(61)
Profit before tax	6		1,713		903
Income tax	9		(98)		(75)
Profit for the year			1,615		828
Earnings per share					
Basic earnings per share	21		1.81p		1.17p
Diluted earnings per share	21		1.79p		1.14p

All activities of the Group are classed as continuing.
The results attributable to business combinations in the year are disclosed in note 29.
The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 30 April 2018

	2018 £'000	2017 £'000
Profit for the period	1,615	828
Other comprehensive income		
Exchange differences on translating foreign operations	(30)	126
Total comprehensive income for the period	1,585	954

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

Consolidated balance sheet
for the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Assets			
Intangible assets	10	10,727	9,770
Property, plant and equipment	11	431	478
Deferred tax asset	12	37	48
		11,195	10,296
Current assets			
Inventories	13	2,090	1,747
Trade and other receivables	14	2,221	1,931
Current tax assets		–	–
Cash and cash equivalents	15	2,007	2,355
		6,318	6,033
Total assets		17,513	16,329
Liabilities			
Non-current liabilities			
Borrowings	19	1,391	940
Trade and other payables	16	–	–
Deferred tax liability	12	969	950
		2,360	1,890
Current liabilities			
Trade and other payables	16	2,309	3,228
Provisions for warranties	18	11	19
Borrowings	19	29	254
Current tax payable		244	228
		2,593	3,729
Total liabilities		4,953	5,619
Net assets		12,560	10,710
Equity			
Share capital	20	896	889
Merger reserve		3,030	3,030
Share premium account		6,390	6,200
Own shares held by Employee Benefit Trust	22	(82)	(85)
Other reserves		148	83
Foreign exchange reserve		109	139
Retained earnings		2,069	454
Total equity		12,560	10,710

The financial statements were approved and authorised for issue by the Board of Directors on 26 July 2018

KEN FORD
CHAIRMAN

MIKE CREEDON
CHIEF EXECUTIVE OFFICER

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

Consolidated statement of cash flows

for the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Profit for the year		1,615	828
Depreciation		240	213
Amortisation		836	556
Finance costs and income		63	61
(Decrease) increase in provision		(8)	1
Release of deferred consideration		–	(41)
Taxation in the income statement		98	75
Employee share-based payments		65	2
Operating cash flows before movement in working capital		2,909	1,695
Increase in inventories		(134)	(237)
Changes in trade and other receivables		(106)	(72)
Changes in trade and other payables		185	20
Cash generated from operations		2,854	1,406
Interest paid		(63)	(61)
Income taxes received/(paid)		(198)	(19)
Cash generated from operating activities		2,593	1,326
Investing activities			
Capital expenditure on fixed assets		(184)	(215)
Sale of property, plant and equipment		3	–
Expenditure on development and other intangibles		(620)	(643)
Acquisition of subsidiaries, net of cash	29	(1,341)	(3,277)
Net cash used in investing activities		(2,142)	(4,135)
Financing activities			
Finance leases repayments		(33)	(10)
Proceeds from bank borrowing		1,370	1,164
Deferred consideration paid		(1,201)	(62)
Exchange difference		(24)	119
Repayment of borrowings		(1,111)	(745)
Issues of shares		200	2,990
Net cash from financing		(799)	3,456
Net changes in cash and cash equivalents		(348)	647
Cash and cash equivalents, beginning of year		2,355	1,708
Cash and cash equivalents, end of year		2,007	2,355

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

Consolidated statement of changes in equity

for the year ended 30 April 2018

	Share capital £'000	Merger reserve £'000	Foreign exchange £'000	Share premium £'000	Own shares held by EBT £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 30 April 2016	642	3,030	13	3,457	(85)	81	(374)	6,764
Shares issued	247	–	–	2,743	–	–	–	2,990
Share-based payments	–	–	–	–	–	2	–	2
Transactions with owners	247	–	–	2,743	–	2	–	2,992
Profit for the year	–	–	–	–	–	–	828	828
Foreign exchange on consolidation of subsidiaries	–	–	126	–	–	–	–	126
Total comprehensive income for the period	–	–	126	–	–	–	828	954
Balance at 30 April 2017	889	3,030	139	6,200	(85)	83	454	10,710
Shares issued	7	–	–	190	3	–	–	200
Share-based payments	–	–	–	–	–	65	–	65
Transactions with owners	7	–	–	190	3	65	–	265
Profit for the year	–	–	–	–	–	–	1,615	1,615
Foreign exchange on consolidation of subsidiaries	–	–	(30)	–	–	–	–	(30)
Total comprehensive income for the period	–	–	(30)	–	–	–	1,615	1,585
Balance at 30 April 2018	896	3,030	109	6,390	(82)	148	2,069	12,560

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 2018

1 REPORTING ENTITY

Scientific Digital Imaging plc, a public limited company, is the Group's ultimate parent. It is registered and domiciled in England and Wales. The consolidated financial statements of the Group for the year ended 30 April 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The details of subsidiary undertakings are listed in Note 4 to the Company Financial Statements.

2 BASIS OF PREPARATION

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

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

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic report. The financial position of the Group, its cash flows, and liquidity position are provided in the financial statements on pages 32-35. In addition, notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Board has prepared forecasts for the period to 31 December 2019. These reflect the sales projections for new products coming on stream as a result of the Group's research and development activity and continued cost management. The Group meets its cash flow and borrowing requirements through an invoice discounting facility which is a 12 month rolling contract and a bank loan as detailed in note 19. The Board's forecasts indicate that the Group will continue to trade within its existing facilities with scope to further manage its cost base if necessary. The Board is confident that continued focus on research and development, new product development and sales & marketing will deliver growth. The Board considers that the Group will have adequate cash resources within its existing facilities to continue to trade for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Accounting judgements and estimates

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

Estimates

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

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

Intangibles – development costs

The Group is required to capitalise any development costs that meet the criteria as per IAS 38. (See Research and Development accounting policy, page 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.

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical and commercial feasibility is demonstrable. Development costs are only capitalised if all of the following conditions are met:

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

The carrying value of development costs at the year-end was £1,186k (2017: £1,108k).

Impairment of goodwill and other intangible assets

The impairment analysis of intangible assets is based upon future discounted cash flows and a number of assumptions have been made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate in order to calculate present value. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 10. The carrying amount of goodwill at the year-end was £5,419k (2017: £4,907k). Other intangibles had a carrying amount of £4,122k (2017: £3,755k).

Deferred taxation

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

The total carrying amount of the deferred tax asset at 30 April 2018 is £37k (2017: £48k) of which £37k (2017: £48k) relates to trading losses.

The total deferred tax liability at 30 April 2018 is £969k (2017: 950k), relating to deferred tax on acquired intangibles and capitalised R&D.

Contingent consideration

Contingent consideration on acquisitions is measured at fair value. Where future payments are dependent on performance, predicted revenue levels for three years from the date of acquisition based on financial forecasts have been used, when recognising the liability. The fair value at 30 April 2018 was £152k (2017: £1,367k).

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2017. The adoption of new accounting standards and interpretations which came into effect has not had a material impact on the Group's financial statements in this period of initial application.

Basis of consolidation

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

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

Business combinations

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

Foreign currency

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

For the purpose of presenting the consolidated financial statements the assets and liabilities of the Group's overseas operations are translated using exchange rates prevailing on the balance sheet date. Exchange differences on net assets arising from this policy are recognised in other comprehensive income and accumulated in the foreign exchange reserve; such translation differences are

Notes to the consolidated financial statements CONTINUED

for the year ended 30 April 2018

reclassified from equity to profit or loss as a reclassification adjustment in the period in which the foreign operation is disposed of.

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

Property, plant and equipment

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

The estimated useful lives are as follows:

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

Goodwill

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

Research and development

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

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

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

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

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

Other intangible assets

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

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

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

Impairment

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

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

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

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

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

Borrowings

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

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

Equity

Equity comprises the following:

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

Contributions to pension schemes

Defined Contribution Scheme

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

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

Financial Assets

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

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

Financial liabilities

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

Financial instruments

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

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

Revenue recognition

Revenue is from the sale of goods, contract income and services and is recognised in the income statement when transfer of control of goods and services to the customer has occurred. Revenue is measured at the fair value of the consideration received or receivable, net of returns, VAT and trade discounts.

The company has reviewed the impact of the new IFRS 15 standard 'Revenue from Contracts with Customers' on our revenue streams from the supply of goods and services and has concluded that there is no material impact.

Leased assets

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

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

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

Contingent consideration

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

Taxation

Income tax expense comprises current and deferred tax.

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

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

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

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

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

Segment reporting

The Group identifies reportable operating segments based on internal management reporting that is regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Chief Executive Officer.

Provisions

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

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

Employee benefit trust

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

Share-based payments

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

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

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

4 STANDARDS AND INTERPRETATIONS CURRENTLY IN ISSUE BUT NOT YET EFFECTIVE

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

- IFRS 9 Financial Instruments (effective 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions issued June 2016 (effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 financial instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2018)
- IFRS 15 Revenue from contracts with customers (effective 1 January 2018)
- IFRS 16 Leases (IASB effective 1 January 2019) will bring the majority of all operating leases onto the balance sheet in line with the accounting treatment for finance leases. This will affect the balance sheet, though it is not expected to materially affect the consolidated income statement.

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

The Group has reviewed the new standard IFRS 15 Revenue from contracts with customers to assess the impact it would have had on the 2018 financial statements, including specifically regarding maintenance contracts, extended warranties, and installation and commissioning services, as well as for shipped products. Criteria considered have included the contract, the location of underlying product, the specificity of the product to a particular customer. Management believes that that there would have been no material impact on the 2018 financial statements.

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

5 SEGMENT ANALYSIS

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

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

Revenue by destination of external customer	2018 £'000	2017 £'000
United Kingdom (country of domicile)	4,857	3,515
Europe	3,051	2,508
America	2,736	2,595
Asia	3,319	1,554
Rest of World	533	576
	14,496	10,748

Non-current assets by location (excluding deferred tax)	2018 £'000	2017 £'000
United Kingdom	10,988	10,006
Portugal	96	79
America	111	163
	11,195	10,248

6 PROFIT BEFORE TAXATION

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

	Note	2018 £'000	2017 £'000
Amortisation other intangibles	10	294	152
Depreciation charge for year:			
Property, plant and equipment		240	204
Property, plant and equipment held under finance leases			9
Research and development costs:			
Expensed as incurred		250	140
Amortisation charge		528	404
Auditor's remuneration Group:			
Audit of Group accounts		26	15
Fees paid to the auditor and its associates in respect of other services:			
Audit of Company's subsidiaries		47	47
Tax advisory services		5	3
Tax compliance services		17	15
Audit related assurance services		12	10
Currency exchange loss (gains)		33	(67)
Rental of land and buildings		156	199
Rental of other items		20	22

During the year the Board carried out a thorough review of the operations and structures of the Group which gave rise to £63k of costs incurred for the reorganisation (2017: £87k).

Additionally £165k of costs relating to work on acquisitions and fundraising (2017: £165k) were also incurred.

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

7 DIRECTORS' AND EMPLOYEES' REMUNERATION

Staff costs during the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries (including restructuring costs and other termination benefits £63k (2017: £72k))	4,106	3,751
Social security costs	409	367
Share-based payments	65	2
Other pension costs	123	101
	4,703	4,221

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

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

	2018 Number	2017 Number
Administration	15	17
Production	80	65
Product development	11	10
Sales and marketing	15	17
	121	109

The remuneration of the Directors is set out below:

	Salary/ fees £'000	Bonus £'000	Taxable benefits £'000	Sub Total £'000	Pension £'000	2018 Total £'000	2017 Total £'000
K E Ford	42	–	–	42	–	42	30
M Creedon	128	40	1	169	6	175	147
J Gibbs (resigned 30/05/17)	–	–	–	–	–	–	20
I Napper	24	–	–	24	–	24	4
A Simon	10	–	–	10	–	10	20
D Tilston	19	–	–	19	–	19	–
	223	40	1	264	6	270	221

The aggregate emoluments and amounts receivable under incentive schemes of the highest paid director were £169k (2017: £141k). Company pension contributions of £6k (2017: £6k) were made to a money purchase scheme. As at 30 April 2018 the highest paid Director held a total of 1,385,000 share options (2017: 385,000 share options). No share options were exercised by any Director during the year.

Key management for the Group is considered to be the Directors of the Group. Employer's National Insurance in respect of Directors was £25k in 2018 (2017: £24k), and share-based payment charge in respect of Directors was £35k in 2018 (2017: £2k).

Share-based employee remuneration

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

A summary of options outstanding currently is as follows:

	2018		2017	
	Number of share options	Weighted Average Exercise price of options	Number of share options	Weighted Average Exercise price of options
Outstanding at the beginning of the year	1,645,000	0.177	881,000	£0.173
Granted during the year	2,750,000	0.250	840,000	£0.165
Exercised	(92,000)	0.125	(24,000)	£0.125
Expired during the year	(74,000)	0.157	(52,000)	£0.125
Outstanding at the end of the year	4,229,000	0.224	1,645,000	£0.177
Exercisable at the end of the year	589,000	0.201	665,000	£0.198

The share options outstanding at the end of the year have a weighted average remaining contractual life of 8.5 years (2017: 7.3 years). The range of exercise prices for the outstanding options is £0.125 to £0.33. During the year, the share price of SDI fluctuated between a low of £0.190 and a high of £0.4155.

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

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

Expected volatility was determined by calculating the historical volatility of the Company's share price over three years. The expected life used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. For options issued in 2018, expected volatility was 50%, the expected life was 3 years, the risk free interest rate was 0.72%, and the exercise price and share price ranged from £0.23 to £0.33.

The share-based payment expense for the Group totalled £65k (2017: £2k).

Pensions

The Group operates defined contributions pension schemes for the benefit of the employees. The assets of the schemes are administered by trustees in funds independent from those of the Group. Total contributions for the Group were £123k (2017: £101k).

	2018 £'000	2017 £'000
Current pension obligations included in liabilities	7	7

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

8 FINANCE COSTS

	2018 £'000	2017 £'000
Invoice discounting and bank loans	59	59
Finance leases and hire purchase contracts	4	1
	63	60

9 TAXATION

	2018 £'000	2017 £'000
Corporation tax:		
Prior year corporation tax adjustment	(51)	51
Current tax	233	–
	182	51
Deferred tax (income)/expense	(84)	24
Income tax charge	98	75

Reconciliation of effective tax rate

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	1,713	903
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19% (2017: 20%)	325	181
Effects of:		
Expenses not deductible for tax purposes	63	123
Capital allowances in excess of depreciation and amortisation	(91)	
Additional deduction for R&D expenditure	(136)	(131)
Prior year tax adjustments	(51)	(1)
Transferred to/(from) tax losses	(14)	(97)
	98	75

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

10 INTANGIBLE ASSETS

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

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

	Customer relationships £'000	Other intangibles £'000	Goodwill £'000	Development costs £'000	Total £'000
Cost					
At 1 May 2016	875	477	2,404	2,917	6,673
Fair value adjustments	–	24	–	(37)	(13)
Additions	2,805	79	2,503	630	6,017
Disposals/Eliminations	–	–	–	(1,005)	(1,005)
	3,680	580	4,907	2,505	11,672
Amortisation					
At 1 May 2016	24	305	–	2,035	2,364
Fair value adjustment	–	24	–	(37)	(13)
Amortisation for the year	105	47	–	404	556
Disposals/Eliminations	–	–	–	(1,005)	(1,005)
At 30 April 2017	129	376	–	1,397	1,890
Net book amount at 30 April 2017	3,551	204	4,907	1,108	9,770

Goodwill relates to various acquisitions as follows:

(a) The acquisitions of Artemis CCD Ltd, Perseu Comercio De Equipamento Para Informatica E Astronomica SA, Opus Instruments, and the assets of QSI have been treated as a single cash generating unit (Atik) for the purpose of calculating the recoverable amount of goodwill which is based on its value in use. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed one year forecast, followed by an extrapolation of expected cash flows. These cash flows have been extrapolated over ten years with a long-term growth rate of 2%, a short-term growth rate of 3%, and a discount rate of 12%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of ten years. Management's key assumption for this cash generating unit and resulting cash flows is to maintain market share in this market. The Group is not currently aware of any changes that would lead to the carrying value exceeding the recoverable amount.

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

10 INTANGIBLE ASSETS CONTINUED

(b) The acquisition of Sentek. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed one year forecast, followed by an extrapolation of expected cash flows. These cash flows have been extrapolated over ten years with a long-term growth rate of 2%, a short-term growth rate of 3%, and a discount rate of 12%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of ten years. Management's key assumption for this cash-generating unit and resulting cash flows is to maintain market share. The Group is not currently aware of any changes that would lead to the carrying value exceeding the recoverable amount.

(c) The acquisition of Astles Control Systems. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed one year forecast, followed by an extrapolation of expected cash flows. These cash flows have been extrapolated over ten years with a long-term growth rate of 2%, a short-term growth rate of 3%, and a discount rate of 12%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of ten years. Management's key assumption for this cash-generating unit and resulting cash flows is to maintain market share. The Group is not currently aware of any changes that would lead to the carrying value exceeding the recoverable amount.

(d) The acquisition of Applied Thermal Control. The impairment assessment for the cash generating unit was based on value-in-use calculations covering a detailed one year forecast, followed by an extrapolation of expected cash flows. These cash flows have been extrapolated over ten years with a long-term growth rate of 2%, a short-term growth rate of 3%, and a discount rate of 12%. This period has been chosen because management's experience and knowledge of the business indicates that an equivalent business will have a useful life in excess of ten years. Management's key assumption for this cash-generating unit and resulting cash flows is to maintain market share. The Group is not currently aware of any changes that would lead to the carrying value exceeding the recoverable amount.

Amortisation charges are included within administrative expenses within the Income Statement.

The average remaining amortisation period of intangible assets excluding Goodwill is 6.3 years (2017: 8.7 years).

11 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Computer equipment £'000	Tools and other equipment £'000	Furniture fixtures & fittings £'000	Building and leasehold improvements £'000	Total £'000
Cost						
At 1 May 2017	56	290	928	139	141	1,554
Additions	–	1	167	16		184
Additions on acquisition	–	–	18	–	–	18
FX movement	–	–	(18)	–	–	(18)
Disposals	–	(167)	(149)	(32)	–	(348)
At 30 April 2018	56	124	946	123	141	1,390
Depreciation						
At 1 May 2017	47	203	630	118	78	1,076
Charge for year	4	29	190	13	4	240
FX movement	–	–	(12)	–	–	(12)
Disposals		(167)	(147)	(31)		(345)
At 30 April 2018	51	65	661	100	82	959
Net book value						
At 30 April 2018	5	59	285	23	59	431
At 30 April 2017	9	87	298	21	63	478

	Motor vehicles £'000	Computer equipment £'000	Tools and other equipment £'000	Furniture fixtures & fittings £'000	Building and leasehold improvements £'000	Total £'000
Cost						
At 1 May 2016	42	217	1,093	127	135	1,614
Additions	–	77	194	8	6	285
Additions on acquisition	14	–	–	10	–	24
Disposals	–	(4)	(359)	(6)	–	(369)
At 30 April 2017	56	290	928	139	141	1,554
Depreciation						
At 1 May 2016	40	193	810	115	74	1,232
Charge for year	7	14	179	9	4	213
Disposals	–	(4)	(359)	(6)	–	(369)
At 30 April 2017	47	203	630	118	78	1,076
Net book value						
At 30 April 2017	9	87	298	21	63	478

The net book value of building and leasehold, motor vehicles, computer equipment, tools and equipment and furniture, fixtures and fittings includes an amount of £47k (2017: £71k) in respect of assets held under finance leases and hire purchase contracts, all relating to computer equipment. Depreciation on these assets is £24k (2017: £9k, including £7k for computer equipment and £2k for motor vehicles).

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

12 DEFERRED TAX

	2018 Deferred tax asset £'000	2018 Deferred tax liability £'000	2017 Deferred tax asset £'000	2017 Deferred tax liability £'000
Opening	48	(950)	67	(377)
Deferred tax on capitalised R & D	–	(115)	–	(12)
Trading losses recognised	(11)	5	(27)	–
Other temporary differences	–	59	8	(19)
Deferred tax on acquired intangibles	–	125	–	–
Charge on intangibles recognised on acquisition	–	(93)	–	(542)
At 30 April 2018	37	(969)	48	(950)

	2018 Asset £'000	2018 Liability £'000	2017 Asset £'000	2017 Liability £'000
Deferred tax on capitalised R & D	–	(204)	–	(158)
Other temporary differences	–	4	–	(55)
Deferred tax on acquisition intangibles	–	(769)	–	(737)
Trading losses recognised	37	–	48	–
	37	(969)	48	(950)

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £308k (2017: £322k) in respect of losses. Total losses (provided and unprovided) totalled £1.8m (2017: £1.8m).

13 INVENTORIES

	2018 £'000	2017 £'000
Raw materials and consumables	1,600	1,038
Work in progress	76	103
Finished goods	414	606
	2,090	1,747

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

In the year ended 30 April 2018 a total of £4,954k (2017: £3,837k) of inventories were consumed and charged to the Income Statement as an expense.

14 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	1,946	1,700
Other receivables	80	98
Prepayments	195	133
	2,221	1,931

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

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

	2018 £'000	2017 £'000
Impairment provision as at 1 May 2017	53	22
Increase/(decrease) in provision	(44)	31
Provision as at 30 April 2018	9	53

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

	2018 £'000	2017 £'000
Less than 1 month	536	671
More than 1 month but not more than 3 months	161	329
More than 3 months but not more than 6 months	49	176
More than 6 months but not more than 1 year	14	14
More than 1 year	–	14
	760	1,204

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

15 CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Cash at bank and in hand	2,007	2,355

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

16 TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	1,011	888
Social security and other taxes	216	158
Other payables	141	350
Accruals and deferred income	789	465
Contingent consideration	152	1,367
	2,309	3,228

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

17 LEASE LIABILITIES

The Group's motor fleet, a number of computers and a leasehold property in Portugal are held under finance lease arrangements. The net carrying amount of the assets held under leases is £47k (2017: £83k).

30 April 2018	Within 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Gross lease payments	39	7	–	46
Future interest	(4)	–	–	(4)
Net present values	35	7	–	42

30 April 2017	Within 1 year £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Gross lease payments	43	47	–	90
Future interest	(4)	(3)	–	(7)
Net present values	39	44	–	83

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

18 PROVISION FOR WARRANTIES

	2018 £'000	2017 £'000
As at 1 May 2017	19	18
Provided for (released) in year (net)	(8)	1
Warranty provision as at 30 April 2018	11	19

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

19 BORROWINGS

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
Within one year		
Bank finance	–	215
Finance leases	29	39
	29	254
After one and within five years		
Bank finance	1,370	896
Other loan	–	–
Finance leases	21	44
	1,391	940
Total borrowings	1,420	1,194

Bank finance for 2018 relates to amounts drawn down under the Group's revolving bank facility with HSBC Bank plc. The Group has a £3,000,000 facility with an accordion option of an additional £2,000,000. The termination date of the facility is 3 April 2021, with options to extend for a further two years.

20 SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised		
1,000,000,000 (2017: 1,000,000,000) Ordinary shares of 1p each	10,000	10,000
Allotted, called up and fully paid 89,633,424		
(2017 : 88,864,194) Ordinary shares of 1p each	896	889

During the year 769,230 Ordinary shares of 1p were issued as part of the consideration for the purchase of ATC.

Ordinary shares 619,528 (2017: 711,528) are held by the Synoptics Employee Benefit Trust and are reserved for providing employee benefits such as satisfying the exercise of share options.

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

21 EARNINGS PER SHARE

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

	Profit/(loss) attributable to shareholders £'000	Weighted average number of shares	Basic earnings/ (loss) per share amount in pence
Year ended 30 April 2018	1,615	89,391,064	1.81
Year ended 30 April 2017	828	70,972,367	1.17

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

	Diluted earnings/ (loss) per share amount in pence
Year ended 30 April 2018	1.79
Year ended 30 April 2017	1.14

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

	2018	2017
Weighted average number of ordinary shares used for basic earnings per share	89,391,064	70,972,367
Weighted average number of ordinary shares under option	723,173	1,645,000
Weighted average number of ordinary shares used for diluted earnings per share	90,114,237	72,617,367

22 OWN SHARES HELD BY EMPLOYEE BENEFIT TRUST

The Group	2018 £'000	2017 £'000
Investment in own shares	82	85

As at 30 April 2018 the trust held 619,528 shares (30 April 2017 the trust held 711,528 shares) in Scientific Digital Imaging plc.

23 OPERATING LEASES COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

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

	2018		2017	
Group	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
In one year or less	193	17	224	17
Between one and five years	618	7	672	24
Over five years	872	–	926	–
	1,683	24	1,822	41

Lease payments recognised as an expense during the year amount to £176k (2017: £221k).

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

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

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

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

Astles Control Systems Limited has a lease for the office building at B3 Regent Park, Summerleys Road, Princes Risborough, HP27 9LE

Applied Thermal Control Limited has a lease on an office building at Unit 1, Garden Court, Coalville LE67 4NB

Contingent liabilities

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

24 RELATED PARTY TRANSACTIONS AND CONTROLLING RELATED PARTY

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

A payment of £1,354k was made to Peter Astles and his family, relating to the deferred consideration of Astles Control Systems Limited

A deferred consideration balance of £152k is outstanding at the year-end relating to the acquisition of Applied Thermal Control Limited.

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

Notes to the consolidated financial statements CONTINUED
For the year ended 30 April 2018

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Currency risk
A significant proportion of the Group's assets are denoted in Dollars and Euros but only a small amount are within an entity with a differing functional currency. An adverse movement in exchange rate could lead to a devaluation of these assets. As at 30 April 2018 an adverse movement in the dollar of 5% would result in a reduction in the Group's equity and profit or loss of £8k (2017: £101k). An adverse movement in the Euro of 5% would result in a reduction in the Group's equity and profit or loss of £15k (2017: £17k)

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

	Assets 2018 £'000	2017 £'000
US Dollars	429	72
Euros	436	55

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

Credit risk
The Group's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £4,512k (2017: £4,286k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

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

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

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

As at 30 April 2018, the Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
Trade and other payables	2,164	–	–	–
Borrowings	14	15	1,391	–
Contingent consideration	152	–	–	–

	Current		Non-current	
As at 30 April 2017	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
Trade and other payables	1,861	–	–	–
Borrowings	126	128	940	–
Contingent consideration	1,367	–	–	–

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

26 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY IAS 39 CATEGORY

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

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

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

The fair values of the financial assets and liabilities at 30 April 2018 and 30 April 2017 are not materially different from their book values.

27 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

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

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

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

The Group will keep dividend policy under review.

	2018 £'000	2017 £'000
Capital		
Total equity	12,729	10,710
Less cash and cash equivalents	(2,007)	(2,355)
	10,722	8,355
Overall financing		
Total equity	12,729	10,710
Plus borrowings	1,420	1,194
	14,149	11,904
Capital-to-overall-financing ratio	75.78%	70.19%

28 FAIR VALUE MEASUREMENT

(a) Opus Instruments

	2018 £'000	2017 £'000
Contingent consideration re Opus acquisition – current	–	13
Contingent consideration re Opus acquisition – non current	–	–
	–	13

The fair value of contingent consideration was calculated based on management's assumptions regarding future performance.

(b) Astles Control Systems

	2018 £'000	2017 £'000
Contingent consideration re Astles acquisition – current	–	1,354
Contingent consideration re Astles acquisition – non current	–	–
	–	1,354

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

Notes to the consolidated financial statements CONTINUED

For the year ended 30 April 2018

28 FAIR VALUE MEASUREMENT CONTINUED

(c) Applied Thermal Control (ATC)

	2018 £'000	2017 £'000
Contingent consideration re ATC acquisition – current	152	–
Contingent consideration re ATC acquisition – non current	–	–
	152	–

The fair value of contingent consideration was calculated based on management's assumptions regarding future performance. The consideration is payable in June 2018.

29 BUSINESS COMBINATIONS

On 25 August 2017, the Company acquired the entire share capital of Applied Thermal Control Limited, a company incorporated in England and Wales, for a consideration payable in cash and shares.

The assets and liabilities acquired were as follows:

Assets	Book value £'000	Fair Value adjustment £'000	Fair Value £'000
Non-current assets			
Fixed assets	18	–	18
Intangible assets – trade names	–	93	93
Intangible assets – customer relationships	–	444	444
Total non-current assets	18	537	555
Current assets			
Stock	147	–	147
Debtors	184	–	184
Cash at bank	11	–	11
Liabilities			
Trade and other payables	(90)	–	(90)
Taxation – PAYE/NIC	(30)		(30)
Deferred tax liability	–	(99)	(99)
Net assets acquired	240	438	678
Goodwill	–	411	411
Consideration and cost of investment			1,089
Fair value of consideration transferred			
Cash paid in year			737
Share issued			200
Deferred consideration			152
			1,089

Applied Thermal Control Limited contributed £873k revenue and £31k (after management charges) to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of Applied Thermal Control Limited had been completed on the first day of the financial year, the impact on group revenues for the period would have been £402k and the impact on group profit would have been £75k (after management charges).

The goodwill of £411k arising from the acquisition primarily relates to expected future profitability and growth expectations.

The last financial year for Applied Thermal Control Limited closed in December 2017. It is expected that the current financial year will be extended by four months to coincide with the financial year of the Group.

On 31 January 2018, the Company acquired stocks and intangible assets of QSI, a US company engaged in the production and sale of high end specialist cameras to amateur astronomy and OEM markets.

The assets and liabilities acquired were as follows:

Assets	Book value £'000	Fair Value adjustment £'000	Fair Value £'000
Non-current assets			
Fixed assets	–	–	–
Intangible assets – trade names	–	7	7
Intangible assets – customer relationships	–	117	117
Total non-current assets	–	124	124
Current assets			
Stock	62	–	62
Liabilities			
Deferred tax liability	–	(24)	(24)
Net assets acquired	62	101	162
Goodwill	–	101	101
Consideration and cost of investment			263
Fair value of consideration transferred			
Cash paid in year			263
Share issued			–
Deferred consideration			–
			263

The stock acquired has been transferred to our Lisbon factory. The acquisition did not contribute to Group revenues or profit in 2018.

The goodwill of £101k arising from the acquisition relates to expected future profitability.

In the consolidated statement of cashflows for the year ended 30 April 2018, the item "Acquisition of subsidiaries, net of cash" of £1,341k comprises the consideration and cost of investment for both investments as shown above, less the Cash at Bank of £11k in Applied Thermal Control Limited. Deferred consideration for Applied Thermal Control Limited is shown as a financing activity.

Company balance sheet

For the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	4	12,737	10,694
Intangible assets	5	8	18
		12,745	10,712
Current assets			
Debtors	6	59	829
Cash		173	396
		232	1,225
Creditors: amounts falling due within one year	7	(519)	(2,013)
Net current assets		(287)	(788)
Total assets less current liabilities		12,458	9,924
Creditors: amounts falling due after more than one year	8/9	(1,370)	(3,650)
Net assets		11,088	6,274
Capital and reserves			
Called up share capital	10	896	889
Share premium account		6,390	6,199
Other reserves		109	83
Merger relief reserve		424	424
Profit and loss account		3,269	(1,321)
Shareholders' funds		11,088	6,274

The financial statements were approved and authorised for issue by the Board of Directors on 26 July 2018.

KEN FORD
CHAIRMAN

MIKE CREEDON
CHIEF EXECUTIVE OFFICER

Company registration number: 6385396

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's profit for the financial year was £4,589,000, (2017: profit £227,000).

Company statement of changes in equity

For the year ended 30 April 2018

	Share capital £'000	Merger reserve £'000	Share premium reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 May 2017	889	424	6,199	83	(1,321)	6,274
Shares issued	7	–	190	3	–	200
Share-based payments	–	–	–	25	–	25
Transactions with owners	7	–	190	28	–	225
Profit for the year	–	–	–	–	4,589	4,589
At 30 April 2018	896	424	6,389	111	3,268	11,088

	Share capital £'000	Merger reserve £'000	Share premium reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 May 2016	642	424	3,457	81	(1,548)	3,056
Shares issued	247	–	2,742	–	–	2,989
Share-based payments	–	–	–	2	–	2
Transactions with owners	247	–	2,742	2	–	2,991
Profit for the year	–	–	–	–	227	227
At 30 April 2017	889	424	6,199	83	(1,321)	6,274

Notes to the company financial statements

For the year ended 30 April 2018

1 PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

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

Disclosure exemptions adopted

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

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

Investments

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

Share options

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

Financial instruments

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

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

Pension

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

2 EMPLOYEE REMUNERATION

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

	2018 £'000	2017 £'000
Emoluments	264	214
Pension	6	6
	270	220

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

Details of directors' interest in the shares and options of the Company are provided in the Remuneration Committee report on page 23. The highest paid director aggregate entitlements were £170k (2017:£140k). Company pension contributions of £6k (2017:£6k) were made to a money purchase scheme As at 30 April 2018 the highest paid Director held a total of 1,385,000 share options (2017:385,000 share options).

Key management for the Company is considered to be the Directors of the Company. Employer's National Insurance in respect of Directors was £25k in 2018 (2017: £23k), and the share-based payment charge for Directors was £25k in 2018 (2017: £8k).

Share-based employee remuneration

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

Notes to the company financial statements CONTINUED

For the year ended 30 April 2018

2 EMPLOYEE REMUNERATION CONTINUED

A summary of options outstanding currently is as follows:

	2018 Number of share options	2018 Weighted Average Exercise price of options	2017 Number of share options	2017 Weighted Average Exercise price of options
Outstanding at the beginning of the year	1,645,000	£0.177	881,000	£0.173
Granted during the year	2,750,000	£0.250	600,000	£0.175
Adjustment to prior year	(92,000)	£0.125	240,000	£0.130
Expired during the year	(74,000)	£0.157	(24,000)	£0.125
Outstanding at the end of the year	4,229,000	£0.224	1,697,000	£0.168
Exercisable at the end of the year	589,000	£0.201	665,000	£0.174

The share options at the end of the year have a weighted average remaining contractual life of 8.5 years (2017: 7.0 years). The range of exercise prices for the outstanding options is £0.125 to £0.33.

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

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

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

The share-based payment expense for the Company totalled £25k (2017: £2k).

3 AUDITORS' REMUNERATION

Auditors' remuneration attributable to the Company is as follows:

	2018 £'000	2017 £'000
Taxation compliance services/taxation advisory services	3	3
Fees payable to the company's auditor for the audit of the financial statements	11	10

4 INVESTMENTS

Investments in Group undertakings	£'000
Cost and net book amount as at 1 May 2017	10,694
Additions	2,043
Cost and net book amount as at 30 April 2018	12,737

Details of the investments are as follows:

Subsidiary undertakings	Country of Incorporation	Holdings	Proportion of voting rights	Nature of Business
Synoptics Limited	England and Wales	Ordinary shares	100%	Design and Manufacturer
Atik Cameras Limited	England and Wales	Ordinary shares	100%	Design
Perseu Comercio De Equipamento Para Informatica E Astronomica SA	Portugal	Ordinary Shares	100%	Manufacturer
Opus Instruments Limited	England and Wales	Ordinary Shares	100%	Design and Manufacturer
Sentek Limited	England and Wales	Ordinary Shares	100%	Design and Manufacturer
Astles Control Systems Limited	England and Wales	Ordinary Shares	100%	Design and Manufacturer
Applied Thermal Control	England and Wales	Ordinary Shares	100%	Design and 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

5 INTANGIBLE ASSETS

	2018 £'000
Cost at 30 April 2018 & 2017	50
Amortisation as at 1 May 2017	32
Charge for the year	10
Amortisation as at 30 April 2018	42
Net book value as at 30 April 2017	18
Net book value as at 30 April 2018	**8**

Notes to the company financial statements CONTINUED

For the year ended 30 April 2018

6 DEBTORS

	2018 £'000	2017 £'000
Inter-group debtors	47	810
Prepayments and accrued income	7	3
Other debtors	5	16
	59	829

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

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Amounts owed to other group companies	192	358
Trade creditors	29	–
Bank loans	–	215
Other creditors	152	1,422
Social security and other taxes	14	–
Accruals and deferred income	132	18
	519	2,013

8 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2018 £'000	2017 £'000
Amounts owed to other group companies	–	2,754
Bank loans	1,370	896
Other loans	–	–
	1,370	3,650

9 BORROWINGS

	2018 £'000	2017 £'000
Amounts repayable in one year or less:		
Bank loans	–	215
In more than one year but not more than two years		
Bank loan	–	225
Other loan	–	–
In more than two years but not more than five years		
Bank loan	1,370	671
Loan	1,370	1,111

Bank finance relates to amounts drawn down under the Group's revolving bank facility with HSBC Bank plc. The Group has a £3,000,000 facility with an accordion option of an additional £2,000,000. The termination date of the facility is 3 April 2021, with options to extend for a further two years.

10 CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised		
1,000,000,000 Ordinary shares of 1p each	10,000	10,000
Allotted, called up and fully paid 89,633,424		
2018: (2017: 88,864,194) Ordinary shares of 1p each	896	889

During the year 769,230 ordinary shares of 1p each were issued as part of the consideration for the acquisition of Applied Thermal Control Limited.

Ordinary shares 619,528 (2017: 711,528) are held by the Synoptics Employee Benefit Trust and are reserved for providing employee benefits such as satisfying the exercise of share options.

Share options

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

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

11 RELATED PARTY TRANSACTIONS

Transactions with Directors are disclosed within the Directors' Remuneration Report and note 7 to the consolidated financial statements.

A deferred consideration balance of £152k is outstanding at the year-end relating to the acquisition of Applied Thermal Control Limited.

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

Notes to the company financial statements CONTINUED
For the year ended 30 April 2018

12 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk
The Company's exposure to credit risk is limited to the carrying amount of cash deposits and trade and other receivables recognised at the balance sheet date of £185k (2017: £412k). Risks associated with cash deposits are limited as the banks used are reputable with quality external credit ratings.

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

As at 30 April 2018, the Company's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
Borrowings	–	–	1,370	–
Contingent consideration	152	–	–	–

	Current		Non-current	
As at 30 April 2017	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
Borrowings	106	109	896	–
Contingent consideration	1,367	–	–	–

13 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

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

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

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

The Company will keep dividend policy under review.

	2018 £'000	2017 £'000
Capital		
Total equity	10,995	6,274
Less cash and cash equivalents	(172)	(396)
	10,823	5,880
Overall financing		
Total equity	10,995	6,274
Plus borrowings	1,370	1,111
	12,365	7,385
Capital-to-overall-financing ratio	87.5%	79.6%

Five-year summary – Group

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue	14,496	10,748	8,473	6,955	7,037
Cost of sales	(4,954)	(3,837)	(3,298)	(2,837)	(3,021)
Gross profit	9,542	6,911	5,175	4,118	4,016
Gross profit %	65.8%	64.3%	61.1%	59.2%	57.1%
Other administrative expenses	(7,473)	(5,693)	(4,437)	(3,725)	(3,959)
	2,069	1,218	738	393	57
Reorganisation costs	(63)	(87)	(17)	(200)	(22)
Share-based payments	(65)	(2)	(7)	(8)	(6)
Acquisition and fundraising costs	(165)	(165)	(178)	(126)	(28)
Operating profit	1,776	964	536	59	1
Net financing expenses	(63)	(61)	(40)	(36)	(39)
Profit before tax	1,713	903	496	23	(38)
Income tax	(98)	(75)	75	21	–
Profit for the year	1,615	828	571	44	(38)
Earnings per share					
Basic earnings per share	1.81p	1.17p	1.17p	0.15p	(0.16)p
Diluted earnings per share	1.79p	1.14p	1.15p	0.15p	(0.16)p

Shareholder information

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Beacon House
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CHAIRMAN

M CREEDON
CHIEF EXECUTIVE OFFICER

I NAPPER
NON EXECUTIVE DIRECTOR

DR A J B SIMON
NON EXECUTIVE DIRECTOR
(resigned 27 September 2017)

D TILSTON
NON EXECUTIVE DIRECTOR
(appointed 26 July 2017)

J ABELL
CHIEF FINANCIAL OFFICER
(appointed 2 July 2018)

Company Secretary
J ABELL
(appointed 2 July 2018)

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