

3D Diagnostic Imaging plc

**Directors' report and accounts
for the year ended 30 June 2011**

Registered number 002845V

ID8440

3D Diagnostic Imaging plc

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Company information

Directors

James Noble (Non-Executive Chairman)
Graham Lay (Chief Executive)
Oliver Cooke (Chief Finance Officer)
James Cunningham-Davis (Non-Executive) – Resigned 21/09/11
Pritesh Desai (Non-Executive) – Resigned 18/10/11
Christine Rawlinson (Non-Executive) – Resigned 18/10/11

Registered office

34 North Quay
Douglas
Isle of Man
IM1 4LB

Auditor

Henderson Loggie
Chartered Accountants
Registered Auditor
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

Bankers

HSBC
63-64 St Andrews Street
Cambridge
Cambridgeshire
CB2 3BZ

Solicitors

Marriott Harrison
11 Staple Inn Buildings
London
WC1V 7QH

3D Diagnostic Imaging plc

Chairman's report

I am pleased to present the annual report and accounts for the year ended 30 June 2011.

The year ended 30 June 2011 was one of mixed fortunes for 3D. Whilst, sales of the CarieScan PRO in the USA were negatively impacted following the identification of a manufacturing defect, the management team responded well and I am pleased to report that this defect was quickly rectified and that the product has been re-launched in the USA with an enhanced sales support operation. In the meantime, the Company has been focusing on territories outside the USA and has now signed a number of distribution agreements in Europe, China and India.

The Company has also taken a number of other measures to strengthen the business, including the appointment of Stefan Kaltenbach, a well known and highly respected businessman in the field of dental diagnostics, to the Board of CarieScan Limited ("CarieScan").

I am pleased to report that, since the year-end, the Company has launched its RemoteView software, signed agreements with further distribution partners and secured £1.41 million before costs of further equity funding, to enable the business to implement its future development strategy.

Results for the year

Revenue for the twelve months to 30 June increased to £715,000 (2010: £2,800), reflecting the launch of the CarieScan PRO in the USA and Canada. Operating expenses also increased to £2.9 million (2010: £1.2 million), principally reflecting the cost of building up a sales support operation in the USA. This led to an operating loss and loss before tax of £2.4 million (2010: £1.2 million). These results are in line with the trading statement issued by the Company in May 2011.

Revenue in the year comprises sales to North America (£553,000), UK and Europe (£139,000) and Rest of World (£23,000).

Cash at 30th June 2011 amounted to £520,000 (2010: £67,000).

CarieScan

3D's principal asset is its IP protected alternating current impedance spectroscopy technology ("ACIST") platform which enables the accurate measurement of the integrity of a structure. CarieScan is 3D's main operating subsidiary, with responsibility for exploiting the dental applications of the ACIST technology, which have been developed into an integrated Caries Management Support System ("CMSS"). The CMSS comprises the CarieScan PRO, a handheld device for the early detection of tooth decay, and RemoteView, a software package which captures data gathered by the PRO for instant display on a PC screen and for recall at a later date, allowing monitoring of the progression or regression of hidden caries (tooth decay).

The presence of caries causes a detectable deterioration in the integrity of a tooth's structure even before such decay becomes apparent by visual inspection. If detected sufficiently early the effects can be reversed through treatment and the integrity of the tooth restored. The CMSS enables the comprehensive monitoring of tooth decay and the efficacy of the treatment being applied to treat the condition. The Directors believe the system is the world's first integrated caries management system. Evaluation of the CarieScan PRO by respected industry commentators has been undertaken at a number of locations in the USA and the product has received a number of plaudits, including the award for "Best Dental Diagnostic Device 2011" from the industry driver "Dr Bicuspid".

The Company has implemented a strategy of appointing distributors in relevant territories and this process originally started with the appointment of Patterson Dental in the USA and Canada, supported by staff directly employed by CarieScan in the USA. With the issues relating to the manufacturing defect mentioned above, sales were not sufficient to support this model and the Company has since announced a series of measures to improve its position, which include:

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Chairman's report (continued)

1. The manufacturing defect has now been resolved and the product has been re-launched in the USA with greatly improved marketing and educational materials;
2. The Company has replaced its own sales force with the appointment of a highly experienced dental sales company, CoreStrength Inc, which will provide over 20 sales support representatives in the USA; and
3. The Company has signed a series of distribution agreements with companies outside the USA, covering major European countries, India and China. These are positive and unanticipated opportunities for CarieScan.

As at 30 June 2011, agreements have now been signed with distribution partners covering the following countries:

North America

USA
Canada

Europe

UK
Germany
Austria
Switzerland
Belgium
Luxembourg
Netherlands

Asia

India
China

Funding

As a consequence of the poor sales performance noted above, the Company has implemented a series of cost-cutting measures, including:

1. The elimination of the US sales force as described above and the effective closure of the US office;
2. A decision to terminate the Company's offshore status in the Isle of Man. While this offshore status had been seen as a tax-efficient way of exploiting the ACIST technology, it has become clear that it is unlikely to deliver the anticipated benefits to the Company or to shareholders. As a consequence of his other business interests James Cunningham-Davis, one of the Isle of Man non-executive Directors, stepped down from the Board on 21st September 2011. The other two Isle of Man non-executive Directors, Tina Rawlinson and Pritesh Desai, stepped down from the Board at the close of the Company's general meeting which was held on 18th October 2011. We would like to extend our thanks to James, Tina and Pritesh for all their hard work on the Company's behalf. The Board will consider the appointment of a suitable non-executive director in due course;
3. Deferral of part or all of Directors' remuneration.

In all, it is expected that these savings amount to over £750,000 in a full year.

Despite these measures, the business required further equity funding and £1.41 million, before costs, was raised after the year end.

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Chairman's report (continued)

Outlook

3D has changed radically during the period under review. Many of the problems of the last year are typical of those affecting companies moving from a technically excellent invention to the reality of the marketplace. I am confident that the manufacturing issues are now solved and that the product is now sufficiently robust to achieve market success. The Company is now focused on delivering the current business model, which depends entirely on sales performance in a number of territories.

I look forward to reporting further progress over the next year and beyond.



James Noble
Chairman

25 November 2011

3D Diagnostic Imaging plc

Directors' report

The directors present their report on the Group and its audited accounts for the year ended 30 June 2011.

Principal activity

The principal activity of the Group is the development and commercialisation of Alternating Current Impedance Spectroscopy Technology ("ACIST"). The first commercial product has now been developed and certified and is targeted at the dental sector.

Results and dividends

The consolidated income statement is set out on page 11 and has been prepared in Sterling, the functional and reporting currency of the Group.

The Group's net loss after taxation attributable to equity holders of 3D Diagnostic Imaging plc for the year was £2,418,570 (2010 - £1,232,669) which will be deducted from reserves.

No dividends have been paid or proposed.

Review of the business and future developments

A full review of the Group's performance, financial position and future prospects is given in the Chairman's Report on pages 2-4.

Directors and their interests

The interests of the Directors at 30 June 2011 in the ordinary share capital of the Company (all beneficially held) were as follows

	2011 No.	2010 No.
James Noble	10,388,753	6,244,871
Graham Lay	6,099,962	5,596,628
James Cunningham-Davis	569,444	125,000
Pritesh Desai	569,444	125,000

In addition to the issued shares shown above, Graham Lay holds options over 8,723,741 ordinary shares, exercisable at between 6p and 7p per share at any time from 14 September 2010 to 11 January 2021. Oliver Cooke holds options over 5,966,618 ordinary shares, exercisable at 6p from 12 January 2013 to 11 January 2021.

Substantial shareholdings

Other than as summarised below, the Directors have not been advised of any individual interest, or group or interests held by persons acting together, which at 30 June 2011 exceeded 3% of the company's issued share capital.

	Number	%
Evolve Capital Plc	53,974,357	31.7
Scottish Enterprise Investments	39,391,163	23.1
Pershing Nominees Limited	11,624,481	6.8
James Noble	10,338,753	6.1
Cheviot Asset Management Limited	8,415,778	4.9
HSBC Global Custody Nominee (UK) Limited	8,333,333	4.9
Graham Lay	6,099,962	3.6

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Directors' report (continued)

Employees

The Group places considerable value on the involvement of its employees, who are regularly briefed on the Group's activities through management meetings.

Equal opportunity is given to all employees regardless of sex, colour, race, religion or ethnic origin.

Applications for employment from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Creditor payment policy

The policy of the Company and its subsidiary undertaking is to:

- (a) Agree the terms of payment with suppliers when settling the terms of each transaction;
- (b) Ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) Pay in accordance with its contractual and other legal obligations provided suppliers comply with the terms and conditions of supply.

At 30 June 2011 trade creditors represented 29 days (*2010 – 30 days*) as a proportion of company purchases.

Directors' liability

As permitted by the Companies Act 2006, the Company has purchased insurance cover for the Directors against liabilities in relation to the Group.

Charitable donations

During the year, the Company made no charitable donations (*2010 – £Nil*).

Financial reporting

The Board has ultimate responsibility for the preparation of the annual audited accounts. A detailed review of the performance of the Group is contained in the Chairman's report on pages 2 to 4. Presenting the Chairman's report and Director's Report, the Board seeks to present a balanced and understandable assessment of the Group's position, performance and prospects.

Internal control

A key objective of the Directors and senior management is to safeguard the value of the business and assets of the Company. This requires the development of relevant policies and appropriate internal controls to ensure proper management of the Group's resources and the identification and mitigation of risks which might serve to undermine them. The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. It should, however, be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

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Directors' report (continued)

Risk management

The directors have in place a process of regularly reviewing risks to the business and monitoring associated controls, actions and contingency plans. The most important risks currently identified by the directors include: effective supplier management, competition, technological changes, and geographical expansion.

The Company's financial risk management policies are set out in Note 14 and 16.

Going concern

In October 2011 the Company raised £1.41 million, before costs, of additional equity capital and as a consequence the directors have formed a judgement at the time of approving the accounts that there is a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future.

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Directors' report (continued)

Statement of directors' responsibilities

Isle of Man company law requires the directors to keep reliable accounting records which correctly explain the transactions of the Company, enable the financial position of the Company and Group to be determined with reasonable accuracy at any time and allow financial statements to be prepared. The shareholders have resolved, in accordance with the Companies Act 2006 and the Articles of Association, that the directors prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period.

On this basis the directors have elected to prepare the financial statements for the Company and Group in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

International Accounting Standard 1 requires that accounts present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of accounts'. In virtually, all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

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Directors' report (continued) **Statement of directors' responsibilities**

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board of Directors



Graham Lay
Director

25 November 2011

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Independent auditor's report to the shareholders of CarieScan Limited

We have audited the accounts of 3D Diagnostic Imaging plc for the year ended 30 June 2011 which comprise the group income statement, the group and parent company balance sheets, the group and parent company statements of changes in equity, the group and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 80c of the Isle of Man Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement (set out on page 8), the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited accounts. Should we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the Group and parent company's affairs as at 30 June 2011 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

Opinion on other matters prescribed by the Isle of Man Companies Act 2006

In our opinion the information given in the directors' report, for the financial year for which the accounts are prepared, is consistent with the accounts.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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.


Terry Allison CA (Senior Statutory Auditor)

For and on behalf of
Henderson Loggie, Statutory Auditor
Dundee

25 November 2011

3D Diagnostic Imaging plc

Group income statement for the year ended 30 June 2011

	Note	2011 £	2010 £
Revenue	4	714,925	2,838
Cost of sales		(257,739)	(2,624)
Gross profit		457,186	214
Administration expenses		(2,891,566)	(1,233,146)
Operating loss	3-5	(2,434,380)	(1,232,932)
Finance income	6	96	263
Finance costs	6	(9,410)	-
Loss before taxation		(2,443,694)	(1,232,669)
Taxation	8	25,124	-
Loss and total comprehensive loss for the financial year		(2,418,570)	(1,232,669)
Attributable to: Equity holders of the parent		(2,418,570)	(1,232,669)
Loss per share	9		
Basic and diluted		(1.59)	(1.18)

Revenue and operating loss are all derived from continuing operations.

There is no difference between the results stated above and their historical cost equivalents.

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

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Group statement of financial position at 30 June 2011

	Note	2011 £	2010 £
Assets			
Non-current assets			
Intangible assets	10	-	-
Property, plant and equipment	11	173,336	153,469
		<u>173,336</u>	<u>153,469</u>
Current assets			
Inventories	13	182,310	156,528
Trade and other receivables	14	200,889	95,759
Cash and cash equivalents		520,145	67,446
		<u>903,344</u>	<u>319,733</u>
Total assets		<u>1,076,680</u>	<u>473,202</u>
Liabilities			
Current liabilities			
Trade and other payables	14	241,648	328,187
		<u>241,648</u>	<u>328,187</u>
Total liabilities		<u>241,648</u>	<u>328,187</u>
Net assets		<u>835,032</u>	<u>145,015</u>
Equity			
Share capital	15	170,475	108,004
Share premium account		5,366,966	2,372,420
Share based payment reserve		68,220	16,650
Retained earnings		(4,770,629)	(2,352,059)
Total equity attributable to the owners of the parent		<u>835,032</u>	<u>145,015</u>

The group financial statements of 3D Diagnostic Imaging plc (registered number 002845V) were approved by the board of directors and authorised for issue on 25 November 2011 and were signed on its behalf by:



GR Lay
Chief Executive

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

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Group statement of changes in equity for the year ended 30 June 2011

	Share capital £	Share premium £	Shared Based payment reserve £	Retained earnings £	Total £
Balance at 30 June 2009	97,929	1,605,025	-	(1,119,390)	583,564
Shares issued (net of expenses)	10,075	767,395	-	-	777,470
Share based payment expense	-	-	16,650	-	16,650
Loss for the year	-	-	-	(1,232,669)	(1,232,669)
Balance at 30 June 2010	108,004	2,372,420	16,650	(2,352,059)	145,015
Shares issued (net of expenses)	62,471	2,994,546	-	-	3,057,017
Share based payment expense	-	-	51,570	-	51,570
Loss for the year	-	-	-	(2,418,570)	(2,418,570)
Balance at 30 June 2011	170,475	5,366,966	68,220	(4,770,629)	835,032

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

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Group statement of cash flows for the year ended 30 June 2011

	Note	2011 £	2010 £
Net cash operating activities	17	(2,491,154)	(855,802)
Investing activities			
Interest received		96	263
Purchase of property, plant and equipment		(62,350)	(136,622)
Grants received		26,664	-
Expenditure on intangible assets		(68,164)	(91,817)
Net cash used in investing activities		(103,754)	(228,176)
Financing			
Issue of share capital		62,471	10,075
Share premium		3,437,428	777,425
Issue costs		(442,882)	(28,030)
Interest paid		(9,410)	-
Net cash from financing activities		3,047,607	759,470
Net increase/(decrease) in cash and cash equivalents		452,699	(324,508)
Cash and cash equivalents at beginning of year		67,446	391,954
Cash and cash equivalents at end of year		520,145	67,446

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

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Notes to the accounts

1 General information

3D Diagnostic Imaging plc is a company incorporated in the Isle of Man under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on pages 5 to 7.

These accounts have been prepared in Sterling because that is the currency of the primary economic environment in which the Group operates.

Adoption of new and revised standards

These accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs).

At the date of approval of these accounts, the following Standards and Interpretations, which have not been applied in these accounts, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements (effective 1 January 2013)
IFRS 11	Joint Arrangement (effective 1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13	Fair Value Measurement (effective 1 January 2013)
IAS 19	Employee Benefits (Revised June 2011) (effective 1 January 2013)
IAS 27	(Revised). Separate Financial Statements (effective 1 January 2013)
IAS 28	(Revised). Investments in Associates and Joint Ventures (effective 1 January 2013)

Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012).

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 First-time Adopters 2011).

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012).

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the accounts of the Group.

2 Significant accounting policies

Basis of preparation

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for the use in the European Union.

The accounts have been prepared under the historical cost convention. The principal accounting policies are set out below.

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Notes to the accounts (continued)

2 Significant accounting policies (continued)

Basis of consolidation

The financial information consolidates the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. An excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during a period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

In October 2011 the Company raised £1.41 million, before costs, of additional equity capital and as a consequence the directors have formed a judgement at the time of approving the accounts that there is a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future.

Goodwill

Goodwill arising on businesses acquired represents the excess of the fair value of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment annually; any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts from the sales of goods provided in the normal course of business, net of value added tax and discounts, and is recognised when the significant risks and rewards of ownership of the product have been transferred to a third party. In the case of sale or return transactions, revenue is only recognised when, and only to the level that, risks and rewards are transferred.

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Notes to the accounts (continued)

2 Significant accounting policies (continued)

Revenue

Revenue is the invoiced value of goods and services supplied and excludes VAT and other sales based taxes.

Foreign currencies

The individual accounts of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of these accounts, the results and financial position is expressed in Sterling, which is the functional currency of the Company.

In preparing the accounts, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historic cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

For the purpose of presenting consolidated accounts, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Property, plant and equipment

Property, plant and equipment balances are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Equipment, fixtures and fittings	-	33% per annum
Plant and machinery	-	15% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement in the period of disposal.

2 Significant accounting policies (continued)

Internally generated intangible asset – research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- It is technically feasible to complete the intangible asset 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 is able to use or sell the intangible asset;
- It is probable that the asset will generate future economic benefit;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The development costs of the intangible asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives subject to impairment as noted below. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Patents and trademarks

Patents and trademarks are included at cost and amortised in equal annual instalments over their estimated useful economic life. Intangible assets acquired during the period have been fully amortised given the Group's early stage of development and the risks and uncertainty associated with any future revenue streams.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, a formal impairment test based on a discounted cash flow approach is performed and the recoverable amount of the asset is estimated in order to quantify any impairment loss. Any impairment loss is recognised as an expense immediately.

Inventories

Inventories are stated at the lower of cost and net reliable value. Cost comprises all costs in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Leases

Rentals under operating leases are charged on a straight line basis over the term of the lease, even if the payments are not made on such a basis.

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Notes to the accounts (continued)

2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group's activities give rise to some exposure to the financial risks of changes in interest rates and foreign currency exchange rates. The Group has no borrowings and is principally funded by equity, maintaining all its funds in bank accounts. The Group does not use derivative financial instruments for speculative purposes.

Financial assets

Financial assets are classified into the following specified categories; financial assets "at fair value through profit or loss" (FVTPL), "held to maturity" investments, "available for sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash

Cash includes cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted. The carrying value of the financial asset is reduced through impairment loss directly for all financial assets with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the income statement.

Financial liabilities

Trade payables

Trade payables are non-interest-bearing and are initially measured at fair value and thereafter at amortised cost using the effective interest rate.

2 Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in 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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Share based payments

The Group issues equity-settled share based benefits to employees. All equity-settled share-based payments are ultimately recognised as an expense in profit or loss with a corresponding credit to reserves.

If vesting periods or other non-market vesting conditions apply, the expense is 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. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, as described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Valuation of share based payments to employees

The Group estimates the expected value of share based payments to employees and this is charged through the income statement over the vesting period. The fair value is estimated using the Black Scholes valuation model which requires a number of assumptions to be made such as level of share vesting, time of exercise, expected length of service and employee turnover and share price volatility. This method of estimating the value of share based payments is intended to ensure that the actual value transferred to employees is provided for by the time such payments are made.

Development costs

Development expenditure relating to identifiable projects is capitalised provided it is probable that the project will generate future economic benefits. There remains a risk that costs previously capitalised relate to projects that are subsequently considered uneconomic or technically inadequate, at which time the unamortised capitalised costs would be expensed immediately.

4 Segmental information

All operating activities are conducted from the UK and as such the directors consider that there is only one business segment.

Segmental information is presented in respect of the Group's geographical areas.

	2011 £	2010 £
USA/Canada	552,240	-
EU	123,249	-
UK	15,990	2,838
Rest of the world	23,446	-
	<u>714,925</u>	<u>2,838</u>

Sales by customer

	2011 £	2010 £
Customer 1	533,698	-
Customer 2	88,569	-

The above revenues represent revenue from transactions with external single customers amounting to 10% or more of the Group's revenue.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

5 Operating loss

	2011 £	2010 £
Operating loss is stated after charging:		
Amortisation of intangible assets	68,164	91,817
Depreciation of property, plant and equipment	42,483	26,867
Research and development costs expensed	51,147	82,226
Share options	51,570	16,650
Audit	2,800	4,500
Audit – subsidiary company	5,000	10,500

Included in share options is £45,205 (2010 - £7,400) relating to directors.

In addition to auditors' remuneration shown above, the auditors received the following fees for non audit services.

	2011 £	2010 £
Other services related to taxation	2,150	5,000
Other financial advisory services	6,700	10,000
	<u>8,850</u>	<u>15,000</u>

6 Finance income (net)

	2011 £	2010 £
Bank interest receivable	96	263
Bank interest payable	(9,410)	-
	<u>(9,314)</u>	<u>263</u>

3D Diagnostic Imaging plc

Notes to the accounts (continued)

7 Employee information

The average number of employees including directors and key management personnel, employed by the Group during the year was:

	2011	2010
Research and development	2	2
Commercial	12	2
Finance and administration	4	2
	<u>18</u>	<u>6</u>
	====	====

The aggregate payroll costs of these persons employed by the Group during the year were as follows:

	2011 £	2010 £
Wages and salaries	1,152,188	369,266
Social security costs	120,142	43,426
Pension contributions	42,066	12,000
	<u>1,314,396</u>	<u>424,692</u>
	=====	=====

Directors' emoluments

Fees and benefits	320,433	107,292
Pension contributions	26,333	10,000
	<u>346,766</u>	<u>117,292</u>
	=====	=====

The remuneration of the highest paid director was as follows:

Directors' emoluments	181,432	128,750
Directors' pension contributions	18,000	15,748
	<u>199,432</u>	<u>144,498</u>
	=====	=====

Payroll costs related to development of intangible assets of £Nil (2010 - £66,950) have been capitalised and immediately impaired per note 10.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

8 Taxation

	2011 £	2010 £
Total current tax	25,124	-

The tax credit arises from R&D expenditure relating to 2009.

The actual tax charges for the year differs from the standard rate applicable in the UK of 21% for the reasons set out in the following reconciliation:

	2011 £	2010 £
Loss on ordinary activities before tax	(2,443,695)	(1,232,669)
Tax thereon	(513,176)	(258,860)
Factors affecting charge for the year:		
Losses arising in territories where no tax is charged	259,959	40,394
Movement on unrecognised tax losses	226,643	215,528
Capital allowances in excess of depreciation	8,102	(4,858)
Non-deductible expenses	18,472	7,481
Movement in short term timing differences	-	315
R&D tax credit	25,124	-
Current tax charge for the year	25,124	-

At 30 June 2010 the Group had unused tax losses of £2,880,000 (2010 - £1,800,000) available for offset against future taxable profits arising in the UK. No deferred tax asset has been recognised due to the uncertainty of future profit streams in the UK.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

9 Loss per share

IAS 33 "Earnings per share" requires presentation of diluted earnings / (loss) per share when a company could be called upon to issue shares that would decrease profit or increase loss per share. For a loss making company with outstanding share options, loss per share would only be increased by the exercise of out of money options. Since it seems inappropriate to assume that option holders would not exercise out of money options, no adjustment has been made to calculate the diluted loss per share on out of money share options.

Basic and diluted loss per share are calculated on the loss of the Group attributable to equity holders of the parent of £2,418,570 (2010 - £1,232,669) and on 152,310,655 (2010 - 103,993,776) equity shares, being the weighted average number of shares in issue during the year.

10 Intangible fixed assets

<i>Group</i>	Internally generated development costs £	Patents and Trademarks £	Total £
Cost			
At 30 June 2010	163,664	161,713	325,377
Additions	68,164	-	68,164
At 30 June 2011	231,828	161,713	393,541
Amortisation			
At 30 June 2010	163,664	161,713	325,377
Charge for year	68,164	-	68,164
At 30 June 2011	231,828	161,713	393,541
Net Book Value			
At 30 June 2010 and 30 June 2011	-	-	-

Intangible fixed assets at 30 June 2011 and in the prior period comprise acquired patents and trademarks and capitalised development expenditure during the year in respect of dental caries devices. Given the uncertainty related to the future economic benefit of the assets, due to the Group's early stage of development, all development costs capitalised in the current year and prior period have been fully amortised in the year.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

11 Property, plant and equipment

	Plant & machinery £	Equipment, fixtures & fittings £	Total £
Cost			
At 30 June 2009	33,628	11,936	45,564
Additions	117,532	19,090	136,622
At 30 June 2010	151,160	31,026	182,186
Additions	9,316	53,034	62,350
At 30 June 2011	160,476	84,060	244,536
Depreciation			
At 30 June 2009	935	915	1,850
Charge for year	20,356	6,511	26,867
At 30 June 2010	21,291	7,426	28,717
Charge for year	20,881	21,602	42,483
At 30 June 2011	42,172	29,028	71,200
Net Book Value			
At 30 June 2011	118,304	55,032	173,336
At 30 June 2010	129,869	23,600	153,469

12 Investment and subsidiary undertakings

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion owned, is given in note B to the Company's separate accounts.

13 Inventories

	2011 £	2010 £
Finished goods	182,310	156,528

3D Diagnostic Imaging plc

Notes to the accounts (continued)

14 Other financial assets and liabilities

	2011 £	2010 £
Trade and other receivables		
Current:		
Trade receivables	109,888	1,600
VAT recoverable	11,560	66,368
Other debtors	41,236	-
Prepayments and accrued income	38,205	27,791
	<u>200,889</u>	<u>95,759</u>

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances of doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. An allowance has been made for the estimated irrecoverable amounts from the sale of goods of £4,731 (2010 - £1,778). The average credit period taken on sales is 56 days (2010 - 90 days). No interest is charged on receivables in the normal terms of business.

The Group's principal financial assets are cash and cash equivalents, and trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are all parties with high credit ratings assigned by international credit rating agencies.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparty. The average age of these receivables is 90 days (2010 - 90).

Ageing of impaired trade receivables

60 - 90 days	-	-
90 - 120 days	-	-
120 + days	1,811	8,851
	<u>1,811</u>	<u>8,851</u>

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

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Notes to the accounts (continued)

14 Other financial assets and liabilities (continued)

	2011 £	2010 £
Trade and other payables		
Current:		
Trade payables	100,314	44,828
Accruals and deferred income	110,397	258,346
Social security and other taxes	30,937	25,013
	<u>241,648</u>	<u>328,187</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases, consultancy services received and ongoing costs. The average credit period taken for trade purchases is 29 days (2010 - 30 days). The directors consider that the carrying amount of trade payables approximates their fair value.

15 Share capital

	2011 £	2010 £
Allotted, issued and fully paid		
3D Diagnostic Imaging plc		
170,474,824 (2010 - 108,004,285) ordinary shares of £0.001 each	<u>170,475</u>	<u>108,004</u>

The Company has one class of ordinary shares which carries no right to fixed income.

45,931,555 ordinary shares of £0.001 each were issued on 22 November 2010. The total consideration received for these shares was £3,500,000.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

16 Financial instruments

The Group's financial instruments comprise cash at bank, receivables and payables which arise in the normal course of business. It is, and has been throughout the year under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The Group has been solely equity funded during the year. As a result the main risk arising from the Group's financial instruments is currency risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the accounts.

	2011 £	2010 £
Financial assets (current)		
Trade receivables	109,888	1,600
Cash and cash equivalents	520,145	67,446
Financial liabilities (current)		
Trade payables	100,314	44,828

Credit risk

Credit risk refers to the risk that the counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults. The Group's policy on dealing with trade customers is detailed in note 14.

Interest rate risk and liquidity risk

The Group is funded by equity, maintaining all its funds in bank accounts. The Group's policy throughout the year has been to minimise the risk of placing available funds on short term deposit. The short term deposits are placed with banks for periods up to 1 month according to funding requirements.

The Group had no undrawn committed borrowing facilities at any time during the year.

Fair values

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash held by the Group with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The directors consider there to be no material difference between the book value of financial instruments and their values at the balance sheet date.

3D Diagnostic Imaging plc

Notes to the accounts (continued)

17 Notes to the cash flow statement

	2011 £	2010 £
Operating loss	(2,434,380)	(1,232,932)
Amortisation of intangible costs	68,164	91,817
Depreciation of property, plant and equipment	42,483	26,867
Share based payment expense	51,570	16,650
Non cash flow movement in share based payment	-	18,000
Release of grant	(2,666)	-
Operating cash flows before movements in working capital	(2,298,827)	(1,079,598)
(Increase)/decrease in inventories	(25,781)	4,382
Increase in receivables	(95,739)	(21,038)
(Decrease)/increase in payables	(95,931)	240,452
Cash used in operations	(2,516,278)	(855,802)
Income taxes received	25,124	-
Net cash used in operating activities	(2,491,154)	(855,802)

18 Share based payments

	September 2009 (approved scheme)	July 2010 (approved scheme)	January 2011 (approved scheme)	January 2011 (unapproved scheme)	June 2011 (approved scheme)
Number of options	430,000	150,000	3,766,632	10,723,727	1,850,000
Volatility	34.5%	34.5%	20.94%	20.94%	34.5%
Spot price	£0.0225	£0.0225	£0.06	£0.06	£0.0225
Interest rate	2.17%	1.5%	2.59%	2.59%	1.5%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Vesting period	1 year	1 year	4 years	4 years	1 year
Contractual life	10 years	10 years	10 years	10 years	10 years
Option value weighted average exercise price	£0.07	£0.15	£0.06	£0.06	£0.023

The volatility assumption is based upon historic share price volatility in the media sector.

Options granted to certain employees are subject to additional exercise conditions based on the satisfaction of certain performance criteria

As disclosed in note 3 the share option charge for the year was £51,570 (2010 - £16,650).

3D Diagnostic Imaging plc

Notes to the accounts (continued)

18 Share based payments (continued)

Summary of options							Weighted average exercise price
Exercise Price	1st Anniversary Date	Expiry Date	30 June 2010	Granted	Lapsed	30 June 2011	
Enterprise management incentive scheme							
£0.07	14/09/2010	13/09/2019	450,000	-	(20,000)	430,000	£0.07
£0.15	01/07/2011	30/06/2020	-	150,000	-	150,000	£0.15
£0.06	12/01/2013	11/01/2021	-	3,766,632	-	3,766,632	£0.06
£0.023	26/06/2012	05/06/2021	-	1,850,000	-	1,850,000	£0.023
Unapproved scheme							
£0.06	12/01/2013	11/01/2021	-	10,723,727	-	10,723,727	£0.06
			<u>450,000</u>	<u>16,490,359</u>	<u>(20,000)</u>	<u>16,920,359</u>	

19 Financial commitments

	2011 £	2010 £
Minimum lease payments under operating leases recognised as an expense in the year:	<u>42,098</u>	<u>17,681</u>

At 30 June 2011, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 £	2010 £
Within one year	50,280	1,473
In the second to fifth years inclusive	68,084	-
	<u>118,364</u>	<u>1,473</u>

Operating lease rentals represents rentals payable by the Group for certain of its properties.

20 Post balance sheet events

In September 2011 the Company announced the conditional raising of an additional £1.41 million, before expenses, of equity capital through a subscription and placing of 70,500,000 new ordinary shares of 0.1p each at a subscription price of 2p per share. The placing was conditional upon shareholders approval which was sought and given at a general meeting of the Company held on 18 October 2011. The proceeds will provide additional working capital for CarieScan as it continues the development of its business.

21 Related party disclosures

Transactions between the company and its subsidiaries, which are related parties, have been eliminated and are not disclosed in this note.

3D Diagnostic Imaging plc

Company statement of financial position at 30 June 2011

	Note	2011 £	2010 £
Non current assets			
Investments in subsidiary undertakings	B	64,009	35,650
		<u> </u>	<u> </u>
Current assets			
Trade and other receivables	C	2,534,405	84,355
Cash and cash equivalents		427,685	56,840
		<u> </u>	<u> </u>
		2,962,090	141,195
		<u> </u>	<u> </u>
Total assets		3,026,099	176,845
		<u> </u>	<u> </u>
Current liabilities			
Trade and other payables	D	(44,031)	(31,830)
		<u> </u>	<u> </u>
		(44,031)	(31,830)
		<u> </u>	<u> </u>
Net current assets		2,918,059	109,365
		<u> </u>	<u> </u>
Net assets		2,982,068	145,015
		<u> </u>	<u> </u>
Equity			
Share capital	E	170,475	108,004
Share premium account		5,366,966	2,372,420
Share based payment reserve		68,220	16,650
Retained earnings		(2,623,593)	(2,352,059)
		<u> </u>	<u> </u>
		2,982,068	145,015
		<u> </u>	<u> </u>

The accounts of 3D Diagnostic Imaging plc (registered number 002845V) were approved by the Board of Directors and authorised for issue on 25 November 2011 and were signed on its behalf by:



GR Lay
Chief Executive

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

3D Diagnostic Imaging plc

Company statement of changes in equity for the year ended 30 June 2011

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total £
At 30 June 2009	97,929	1,605,025	-	(1,119,390)	583,564
Shares issued (net of expenses)	10,075	767,395	-	-	777,470
Share based payment expense	-	-	16,650	-	16,650
Loss for the year	-	-	-	(1,232,669)	(1,232,669)
At 30 June 2010	108,004	2,372,420	16,650	(2,352,059)	145,015
Shares issued (net of expenses)	62,471	2,994,546	-	-	3,057,017
Share based payment expense	-	-	51,570	-	51,570
Loss for the year	-	-	-	(271,534)	(271,534)
At 30 June 2011	170,475	5,366,966	68,220	(2,623,593)	2,982,068

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

3D Diagnostic Imaging plc

Company cash flow statement for the year ended 31 June 2011

	Note	2011 £	2010 £
Net cash used in operating activities	F	(2,676,762)	(702,630)
Investing activities			
Interest paid		(9,410)	-
Investment in subsidiary		-	-
Net cash used in investing activities		(9,410)	-
Financing activities			
Issue of share capital		62,471	10,075
Share premium		3,437,428	777,425
Issue costs		(442,882)	(28,030)
Net cash from financing activities		3,057,017	759,470
Net increase and cash and cash equivalents		370,845	56,840
Cash and cash equivalents at beginning of year		56,840	-
Cash and cash equivalents at end of year		427,685	56,840

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

3D Diagnostic Imaging plc

Notes to the company accounts (continued)

A Significant accounting policies

The separate accounts of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs). No profit and loss account is presented as permitted by Section 408 of the Companies Act 2006. The loss for the year ended 30 June 2011 is £271,534 (2010 - £1,232,669). There have been no other gains or losses therefore the Company has not presented a Statement of Changes in Income. The accounts have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in notes 1 to 3 of the consolidated accounts except as noted below.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

B Investments in subsidiary undertakings

Interests in main subsidiary undertakings:

Name of undertaking	Country of registration	Holding %	Nature of business
CarieScan Limited	Scotland	100% Ordinary shares	Development and sale of medical devices in the dentistry sector.
CarieScan LLC	USA	100%	Sales support service of medical devices in the dentistry sector.

Subsidiaries

	2011 £	2010 £
Cost and net book value		
At 1 July 2010	35,650	1,000
Capital contribution	28,359	34,650
At 30 June 2011	64,009	35,650

C Trade and other receivables

VAT recoverable	-	60,142
Other receivables	28,659	17,163
Amounts owed by subsidiary undertakings	2,505,746	7,050
	2,534,405	84,355

3D Diagnostic Imaging plc

Notes to the company accounts (continued)

D Trade and other payables

	2011 £	2010 £
Trade payables	14,317	14,155
Accruals	20,323	17,675
VAT payable	9,391	-
	<u>44,031</u>	<u>31,830</u>

E Share capital

Allotted, issued and fully paid

3D Diagnostic Imaging plc

170,474,824 (2010 - 108,004,285) ordinary shares of £0.001 each

170,475	108,004
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The Company has one class of ordinary shares which carries no right to fixed income.

62,470,000 ordinary shares of £0.001 each were issued on 22 November 2010. The total consideration received for these shares was £3,500,000.

F Notes to the company cash flow statement

	2011 £	2010 £
Operating loss	(262,123)	(1,216,019)
Amortisation of intangible costs	-	-
Operating cash flows before movements in working capital	<u>(262,123)</u>	<u>(1,216,019)</u>
(Increase)/decrease in receivables	(2,426,840)	481,559
Increase in payables	12,201	31,830
Cash used in operations	<u>(2,676,762)</u>	<u>(702,630)</u>
Income taxes paid	-	-
Net cash used in operating activities	<u>(2,676,762)</u>	<u>(702,630)</u>