3D Diagnostic Imaging plc

Annual Report and Financial Statements

30 June 2010

Company Registration No. 002845V

3D Diagnostic Imaging plc
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3D Diagnostic Imaging plc
DIRECTORS AND ADVISORS

Directors

James Noble	Non-executive Chairman
Graham Lay	Chief Executive
Oliver Cooke	Chief Finance Officer (appointed 19 July 2010)
James Cunningham-Davis	Non-executive
Pritesh Desai	Non-executive
Christine Rawlinson	Non-executive (appointed 9 September 2010)

Company Secretary and Registered Office

James Cunningham-Davis
34 North Quay
Douglas
Isle of Man
IM1 4LB

Independent Auditors

Deloitte LLP
Edinburgh, United Kingdom

Solicitors

Marriott Harrison
Staple Court
11 Staple Inn Buildings
London
WC1V 7QH

PLUS Advisor and Broker

finnCap
4 Coleman Street
London
EC2R 5TA

Registrar, Registered Agent and Administrator

Cavendish Trust Company Limited
31-37 North Quay
Douglas
Isle of Man
IM1 4LB

Principal Bankers

Barclays
Victoria Street
Douglas
Isle of Man
IM1 2LF

Bank of Scotland
2 West Marketgate
Dundee
DN1 1QN

Financial Public Relations

Buchanan Communications
45 Moorfields
London
EC2Y 9AE

3D Diagnostic Imaging plc
CHAIRMAN'S STATEMENT

I am pleased to present the annual report and financial statements for the year ended 30 June 2010. While the Group continues to make losses, these result from the investment required to support the business until commercialisation. You will see from the Directors' report that the Group, through its wholly owned subsidiary CarieScan Limited ("CarieScan"), is making great strides towards commercialisation. The new financial year has continued to see further progress along this route and the Group is expecting to make its first significant sales before the end of the year.

Strategy and progress report

The Group is registered in the Isle of Man and owns the exclusive rights to a technology platform enabling accurate measurement in a number of applications. The first application, addressing the dentistry market, has been fully developed by CarieScan, operating out of Dundee. CarieScan's principal product, the CarieScan PRO, is a hand-held device for the early detection and monitoring of tooth decay. The Group's strategy is to obtain regulatory approval in significant markets and then to commercialise its products through specialist distributors.

CarieScan has achieved regulatory approval for the CarieScan PRO in the EU (CE mark), Canada and the US (FDA 510(k)). The Group considers that the most important market for its product is in the US and is devoting its main efforts to achieving commercial success in that market. In June 2010, the Group announced that it had signed a distribution agreement with Patterson Dental, believed to be the largest distributor of dental equipment in the US, with a product launch scheduled for Autumn 2010. This agreement will provide access to the entire US market with a sales force of 1,100 applicable to the CarieScan product. As a part of that agreement both parties have responsibilities to energetically develop and progress the market for the product. This has subsequently been followed by a further agreement, with Patterson Dental for the Canadian market. Product orders from Patterson Dental, are now being received, with more than $600,000 of goods already shipped, on a sale or return basis, to the US in the new financial year and a further $400,000 of orders anticipated before the end of December 2010.

Results for the year

The Group made a consolidated loss for the year of £1,232,669 against a prior loss for the thirteen months ended 30 June 2009 of £1,119,390. The losses result from the investment required for all of the pre-commercial activities of the business as it moves towards a product launch.

Net assets reduced by 75% to £145,015 (2009: £583,564). This fall in net assets is as a consequence of the expenditure incurred by the Company before revenue had been generated.

Product

2010 saw the completion of the development of a revised design and lower cost sensor for the PRO hand piece. This design not only reduces the level of complexity of the sensor, it also enables 'no touch' handling for the connection and ejection of the sensor. The new sensor is also presented as a sterile device, addressing the more stringent cross infection expectations of the dentistry market. A disposable sheath, encapsulating the entire unit has also been developed, meanwhile cost optimisation and cost reduction activities continue. Development of a software application to provide remote view and monitoring using the built-in Bluetooth connectivity of the PRO device, is underway to be launched at the Chicago Dental Society show in February 2011.

The Technology
The CarieScan product is based on a vertical application of a horizontal platform technology, Alternating Current Impedance Spectroscopy (ACIST). This technology is well protected by IP owned by the Group. There are a substantial number of vertical applications stemming from ACIST. The Group has already determined that subsequent opportunity exists in both the Osteoporosis and Skin Cancer measurement areas. Early evaluation of the applications has been undertaken along with early clinical proof of principle work, which will enable the business to make an effective assessment of development opportunities in the foreseeable future.

While the business remains aggressively focussed on the commercial success of the dental products, protection of the unique IP specific to Osteoporosis is currently being sought. Meanwhile registered designs covering the revised sensor are already in place

Other markets
While the current focus is in the US in terms of establishing an organisation and achieving sales opportunities, other markets (e.g. Germany) will be addressed in the near future.

Clinical
A Scientific Advisory Board for the business has been established, with strong international representation including the school of dentistry at New York University and also Temple University, Philadelphia. The product is in use for both research and student training in both locations.

Operations and funding

The 2010 financial year delivered the key regulatory approvals and progress towards partnerships despite being a "virtual" group, with only six staff, for most of the year. The Group's resources were dedicated to achieving the approvals required for commercialisation. The Group was funded throughout the period by cash injections of equity, raising £750,000 in November 2009 and a further £745,000 was raised after the year end.

The Group is now embarking on the commercialisation of the CarieScan PRO in the United States and this is requires a build-up of much greater resources. In May 2010, the Company announced the appointment of a new Director of Operations and has subsequently appointed Oliver Cooke as Chief Financial Officer. This is being accompanied by the formation of a US subsidiary and appointment of a sales support team in the USA, ahead of the launch of the CarieScan PRO in that market. A Director of Operations has been recruited, with a remit that includes the continuation of cost optimisation/reduction for the product and sensor as well as sustainability and scalability of the production processes. Sales and marketing recruitment has been aggressive, with the recruitment of Richard Whatley as President of sales and marketing. Richard is a veteran of the dental sales arena and has provided various consultancy services to the Group. He has specific experience in the sales and marketing of dental caries detection devices. To support Richard, a Vice President of sales for the US has been recruited, with experience of the caries detection market as well as a long relationship with Patterson Dental. The Group is evolving from a development organisation towards a commercial business which will transform the Group over the coming years.

Post year end, the Company intends to raise further funds to fund the expansion of the business and to apply for its shares to be traded on the AIM securities market.

3D Diagnostic Imaging plc
CHAIRMAN'S STATEMENT

The Board and Corporate Governance

As the Group becomes a commercial business, the Board intends to formalise more of its procedures and, as a consequence, is forming Remuneration, Audit and Nominations committees to ensure that the Group meets the standards appropriate for best practice going forward.

As noted above, the Group has, since the year-end, appointed Oliver Cooke as Chief Financial Officer. Oliver is a Chartered Accountant and a fellow of the Association of Chartered Certified Accountants. He has served on the board on a number of private and public companies and brings with him some 30 years experience in the financial arena. In addition, I am pleased to welcome Christina Rawlinson as a non-executive director. Christina is also a fellow of the Association of Chartered Certified Accountants and a member of the Compliance Institute. Christina will bring much experience to the Board and has agreed to chair the Audit Committee.

Prospects

The Group has transformed itself over the last year. It has secured the principal strategic objective for CarieScan in achieving regulatory approval and a distribution agreement in the most important market, the US. Enormous efforts have been made to raise the awareness of the product among professionals, to secure the funding required, to strengthen the management team and to build up the resources necessary for product launch.

There are, of course, many uncertainties and challenges ahead. It is always difficult to make a transition to a commercial business, with many obstacles to achieving sustained profitability. I am confident, however, that we have the right team in place to meet those challenges and look forward with confidence to reporting further progress in the years ahead.

James Noble
Chairman
26 October 2010

3D Diagnostic Imaging plc
DIRECTORS' REPORT

The Directors present their report on the Group and its audited financial statements for the year ended 30 June 2010. The comparative period is the thirteen months from incorporation to 30 June 2009.

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 £1,232,669 (2009: £1,119,390 loss after tax) 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 Statement on page 2-4.

Directors and their interests
The interests of the Directors at 30 June 2010 in the ordinary share capital of the Company (all beneficially held) were as follows:

	2010 Number	2009 Number
James Noble	6,244,871	5,307,371
Graham Lay	5,596,628	5,471,628
James Cunningham-Davis	125,000	-
Pritesh Desai	125,000	-

In addition to the issued shares shown above, Graham Lay holds options over 200,000 ordinary shares, exercisable at 7p per share at any time from 9 September 2010 to 9 September 2019.

Substantial shareholdings
Other than as summarised below, the Directors have not been advised of any individual interest, or group of interests held by persons acting together, which at 20 September 2010 exceeded 3% of the Company's issued share capital:

	Number	%
Evolve Capital plc	44,529,911	41.2
Scottish Enterprise	28,857,143	26.7
Jemima Hoskins	14,327,767	13.3
James Noble	6,244,871	5.8
Graham Lay	5,596,629	5.2
Marley Properties Limited	3,434,000	3.2

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) Settle the terms of payment with suppliers when agreeing 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 2010, trade creditors represented 30 days (2009: 30 days) as a proportion of Group purchases.

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

Charitable donations
During the year, the Group made no charitable donations (2009:£nil).

Financial reporting
The Board has ultimate responsibility for the preparation of the annual audited financial statements. A detailed review of the performance of the Group is contained in the Chairman's Statement on pages 2 to 4. Presenting the Chairman's Statement and the Directors' 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 Board of Directors and senior management is to safeguard the value of the business and assets of the Group. 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 Board of Directors is 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 miss-statement or loss.

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 Group's financial risk management policies are set out in Notes 14 and 16.

Going concern

The Board has undertaken a recent and thorough review of the Group's forecasts and the associated risks. These forecasts extend for a period beyond one year from the date of approval of these financial statements. After applying reasonable downside scenarios to the key assumptions underpinning the Group's forecasts, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Given the current stage of product development and the commercial status of distribution of the CarieScan PRO, in October 2010 the Group announced that it was withdrawing from the PLUS quoted market and was intending to join AIM. Trading of the Company's shares on AIM is expected to commence on 22 November 2010. This will provide funds to support further product investment and sufficient working capital for the ongoing commercialisation of the business. Subscription letters in relation to the proposed placing and admission to AIM, totalling £2.71 million, have been received and their additional funding has been included in the Directors' assessment of the Company's and Group's future funding position against its projected positive cashflows. For this reason the Directors consider that the going concern basis is appropriate in preparing the Company's and Group's financial statements.

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.

3D Diagnostic Imaging plc
DIRECTORS' REPORT

Statement of directors' responsibilities (continued)

International Accounting Standard 1 requires that financial statements 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 financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's and Group's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company in accordance with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of 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 financial statements may differ from legislation in other jurisdictions.

By order of the Board of Directors

Graham Lay
Director
26 October 2010

Independent auditors' report to the members of 3D Diagnostic Imaging plc

We have audited the financial statements of 3D Diagnostic Imaging plc for the year ended 30 June 2010 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 21 in respect of the Group financial statements and a) to g) in respect of the Company financial statements. 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 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 those matters we are required to state to them in an auditors' 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 directors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. This other information comprises only the Chairman's Statement and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of 3D Diagnostic Imaging plc

Opinion

In our opinion,

- the financial statements give a true and fair view, in accordance with IFRSs as issued by the IASB, of the state of the Group's and individual Company's affairs as at 30 June 2010 and of the Group's loss for the year then ended.
- the financial statements have been prepared in accordance with the Isle of Man Companies Act 2006.

Deloitte LLP

Deloitte LLP
Chartered Accountants
Edinburgh
United Kingdom

26 October 2010

3D Diagnostic Imaging plc
GROUP INCOME STATEMENT
for the year ended 30 June 2010

	Note	2010 £	13 months ended 30 June 2009 £
Revenue	4	**2,838**	5,871
Cost of sales		**(2,624)**	(1,062)
Gross profit		**214**	4,809
Administrative expenses		**(1,233,146)**	(1,124,409)
Operating loss	4,5	**(1,232,932)**	(1,119,600)
Finance income (net)	6	**263**	210
Loss before taxation		**(1,232,669)**	(1,119,390)
Taxation	8	**-**	-
Loss for the financial year/period		**(1,232,669)**	(1,119,390)
Attributable to:			
Equity holders of the parent		**(1,232,669)**	(1,119,390)
Loss per share	9		
Basic		(1.18p)	(3.08p)
Diluted		(1.18p)	(3.08p)

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 notes are an integral part of these financial statements.

3D Diagnostic Imaging plc
GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

	2010 £	13 months ended 30 June 2009 £
Loss for the year/period	**(1,232,669)**	(1,119,390)
Total comprehensive expense for the year/period	**(1,232,669)**	(1,119,390)
Attributable to:		
Equity holders of the parent	**(1,232,669)**	(1,119,390)

The accompanying notes are an integral part of these financial statements.

3D Diagnostic Imaging plc
GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	Share Capital £	Share Premium £	Share Based Payment Reserve £	Retained Earnings £	Total £
Opening balances	**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 end of the year	**108,004**	**2,372,420**	**16,650**	**(2,352,059)**	**145,015**

for the thirteen months ended 30 June 2009

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Opening balances	**-**	**-**	**-**	**-**
Shares issued (net of expenses)	97,929	-	-	97,929
Share premium	-	1,605,025	-	1,605,025
Loss for the period	-	-	(1,119,390)	(1,119,390)
At end of the year	**97,929**	**1,605,025**	**(1,119,930)**	**583,564**

The accompanying notes are an integral part of these financial statements.

3D Diagnostic Imaging plc
GROUP BALANCE SHEET
as at 30 June 2010

	Note	2010 £	2009 £
Non current assets			
Intangible assets	10	-	-
Property, plant and equipment	11	**153,469**	43,714
		153,469	43,714
Current assets			
Inventories	13	**156,528**	160,910
Trade and other receivables	14	**95,759**	74,721
Cash and cash equivalents		**67,446**	391,954
		319,733	627,585
Total assets		**473,202**	671,299
Current liabilities			
Trade and other payables	14	**(328,187)**	(87,735)
		(328,187)	(87,735)
Net current (liabilities)/assets		**(8,454)**	539,850
Net assets	4	**145,015**	583,564
Equity			
Share capital	15	**108,004**	97,929
Share premium account		**2,372,420**	1,605,025
Share based payment reserve		**16,650**	-
Retained earnings		**(2,352,059)**	(1,119,390)
Total equity		**145,015**	583,564

The Group financial statements of 3D Diagnostic Imaging plc (registered number 0002845V) were approved by the Board of Directors and authorised for issue on 26 October 2010, and were signed on its behalf by:

GR Lay, Chief Executive
26 October 2010

The accompanying notes are an integral part of these financial statements.

3D Diagnostic Imaging plc
GROUP CASH FLOW STATEMENT
for the year ended 30 June 2010

	Note	2010 £	13 months ended 30 June 2009 £
Net cash (used in) operating activities	17	**(855,802)**	(1,032,086)
Investing activities			
Interest received	6	**263**	1,124
Purchase of property, plant and equipment		**(136,622)**	(45,564)
Expenditure on intangible assets		**(91,817)**	(233,560)
Net cash (used in) investing activities		**(228,176)**	(278,000)
Financing activities			
Issue of share capital		**10,075**	249,750
Cash element of share premium		**777,425**	1,802,250
Issue costs		**(28,030)**	(349,046)
Interest paid	**6**	**-**	(914)
Net cash from financing activities		**759,470**	1,702,040
Net (decrease) / increase in cash and cash equivalent		**(324,508)**	391,954
Cash and cash equivalents at beginning of year/perio		**391,954**	-
Cash and cash equivalents at end of year/period		**67,446**	391,954

The accompanying notes are an integral part of these financial statements.

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 Group's operations and its principal activities are set out in the Chairman's Statement on pages 2 to 4 and the Directors' Report on pages 5 to 8.

These financial statements 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 are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). The accounting policies set out on pages 16 to 20 have been applied in preparing the financial statements for the year ended 30 June 2010, the comparative information presented in these financial statements for the thirteen months ended 30 June 2009 and in the preparation of an opening IFRS balance sheet at 17 June 2008 (the Company's date of incorporation). IFRS 1 requires disclosures concerning the transition from UK GAAP to IFRS. No adjustments have been identified on this transition and so no such disclosures have been provided.

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

IFRS 1 (amended) IAS 27 (amended)	Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (revised 2008)	Business Combinations
IAS 27 (revised 2008)	Consolidation and Separate Financial Statements
IAS 28 (revised 2008)	Investment in Associates
IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 17	Distribution of Non-cash Assets to Owners
IFRIC 19	Extinguishing Financial liabilities with equity

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

2. Significant accounting policies

Basis of accounting

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

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

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. Any 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 interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities.

2. Significant accounting policies (continued)

Basis of consolidation (continued)

Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

The Board has undertaken a recent and thorough review of the Group's forecasts and the associated risks. These forecasts extend for a period beyond one year from the date of approval of these financial statements. After applying reasonable downside scenarios to the key assumptions underpinning the Group's forecasts, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Given the current stage of product development and the commercial status of distribution of the CarieScan PRO, in October 2010 the Group announced that it was withdrawing from the PLUS quoted market and was intending to join AIM. Trading of the Company's shares on AIM is expected to commence on 22 November 2010. This will provide funds to support further product investment and sufficient working capital for the ongoing commercialisation of the business. Subscription letters in relation to the proposed placing and admission to AIM, totalling £2.71 million, have been received and their additional funding has been included in the Directors' assessment of the Company's and Group's future funding position against its projected positive cashflows. For this reason the Directors consider that the going concern basis is appropriate in preparing the Company's and Group's financial statements

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.

Turnover

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

2. Significant accounting policies (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, 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 financial statements, 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 (attributable to minority interests as appropriate).

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 & 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.

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 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;
- 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.

2. Significant accounting policies (continued)

Patents and trademarks

Patents and trademarks are included at cost and amortised in equal annual instalments over their estimated useful economic life. Provision is made for any impairment. 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 realisable 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.

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.

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.

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 financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

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

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. These share based payments are measured at their fair value at the date of grant and are expensed on a straight-line basis over the vesting period. Fair value is measured using the Black Scholes Model. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefit reserve.

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.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 levels 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

For management purposes, the Group's primary segment is geographical. The directors consider that the business operates in a single business segment, being dental products. On an annual basis, the Directors will review segments as applications in fields other than dental are taken through to significant investment and development.

(a) Segmental revenue by source

All revenue was derived from the UK.

Inter segment revenues is charged on an agreed transfer pricing basis and is eliminated on consolidation of the Group trading results.

(b) Segmental result

The entire result is derived from operations in the UK.

(c) Other information

Capital expenditure and depreciation

All amounts of capital expenditure and associated depreciation arose in the UK.

(d) Balance sheet

All assets and liabilities are attributable to the UK.

(e) Additional information

Sales by destination

All sales in the current year were made into the UK.

5. Operating loss

Operating loss is stated after charging:

	2010 £	13 months ended 30 June 2009 £
Cost of inventories recognised as expense	**22,453**	1,062
Amortisation of intangible assets (Note 10)	**91,817**	233,560
Depreciation of property, plant and equipment (Note 11)	**26,867**	1,850
Research and development costs expensed	**86,226**	38,577
Staff costs (Note 7)	**441,342**	490,604
Auditors' remuneration:		
Audit services		
Fees payable to the company's auditors for the audit of the Company's annual accounts	**4,500**	4,500
Fees payable to the company's auditors for the audit of the Company's subsidiaries pursuant to legislation	**10,500**	10,500

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

	2010 £	13 months ended 30 June 2009 £
Other services related to taxation	**5,000**	5,000
Other financial advisory services	**10,000**	-
	15,000	5,000

Staff costs shown above include £151,833 (2009: £201,846) relating to the remuneration of Directors and key management personnel.

6. Finance income (net)

	2010 £	13 months ended 30 June 2009 £
Bank interest receivable	**263**	1,124
Bank interest payable	**-**	(914)
	263	210

7. Employee information

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

	2010	2009
Research & Development	**2**	2
Commercial	**2**	1
Finance & Administration	**2**	2
	6	5

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

	2010	13 months ended 30 June 2009
	£	£
Wages and salaries	**369,266**	431,589
Social security costs	**43,426**	46,015
Pension contributions	**12,000**	13,000
	424,692	490,604

In addition to the above, £16,650 (2009: nil) was charged to the income statement in respect of awards to employees under individual share option agreements.

Payroll costs related to development of intangible assets of £66,950 (2009:£70,197) have been capitalised and immediately impaired per note 10.

8. Taxation

	2010 £	13 months ended 30 June 2009 £
Total current tax	-	-

The actual tax charges for the year differs from the standard rate applicable in the UK of 21% (2009: 28%) for the reasons set out in the following reconciliation:

	2010 £	13 months ended 30 June 2009 £
Loss on ordinary activities before tax	**(1,232,669)**	(1,119,390)
Tax thereon	**258,860**	313,429
Factors affecting charge for the year:		
Losses arising in territories where no tax is charged	**(40,394)**	-
Movement on unrecognised tax losses	**(215,528)**	(336,074)
Capital allowances in excess of depreciation	**4,858**	4,397
Non-deductible expenses	**(7,481)**	18,248
Movement in short term timing differences	**(315)**	-
Current tax charge for the year	-	-

At 30 June 2010 the Group had unused tax losses of £1,800,000 (2009: £1,200,000) 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.

The Finance Act 2010, which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July. As it was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with IAS 10, as it is a non-adjusting event occurring after the reporting period.

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 24% by 1 April 2014. The future 1% main tax rate reductions are expected to have a similar impact on our financial statements as outlined above, however the actual impact will be dependent on our deferred tax position at that time.

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 for 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 £1,232,669 (2009: £1,119,390 loss) and on 103,993,776 (2009: 36,347,027) equity shares, being the weighted average number of shares in issue during the year.

10. Intangible fixed assets

Group	Internally Generated Development Costs £	Patents and Trademarks £	Total £
Cost			
At incorporation	-	-	-
Additions	71,847	161,713	233,560
At 30 June 2009	71,847	161,713	233,560
Additions	91,817	-	91,817
At 30 June 2010	163,664	161,713	325,377
Amortisation / Impairment			
At incorporation	-	-	-
Charge for the period	(71,847)	(161,713)	(233,560)
At 30 June 2009	(71,847)	(161,713)	(233,560)
Charge for the year	(91,817)	-	(91,817)
At 30 June 2010	(163,664)	(161,713)	(325,377)
Net book value			
At 30 June 2010	-	-	-
At 30 June 2009	-	-	-

Intangible fixed assets at 30 June 2010 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/period.

11. Property, plant and equipment

Group	Plant & Machinery £	Equipment Fixtures & Fittings £	Total £
Cost			
At incorporation	-	-	-
Additions	33,628	11,936	45,564
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
Depreciation			
At incorporation	-	-	-
Charge for the period	935	915	1,850
At 30 June 2009	935	915	1,850
Charge for the year	20,356	6,511	26,867
At 30 June 2010	21,291	7,426	28,717
Net book value			
At 30 June 2010	129,869	23,600	153,469
At 30 June 2009	32,693	11,021	43,714

12. Investment in 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 financial statements.

13. Inventories

	2010 £	2009 £
Finished goods	**156,528**	160,910

14. Other financial assets and liabilities

Trade and other receivables

	2010 £	2009 £
Current:		
Trade receivables	**1,600**	-
VAT recoverable	**66,368**	48,270
Other debtors	**-**	6,429
Prepayments and accrued income	**27,791**	20,022
	95,759	74,721

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for 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 £4,371 (2009: nil). The average credit period taken on sales is 60 days (2009: 60 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 banks 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 of offset against any amounts owed by the Group to the counterparty. The average age of these receivables is 90 days (2009: nil).

Ageing of impaired trade receivables		
60-90 days	**-**	-
90-120 days	**-**	-
120+ days	**8,851**	-
Total	**8,851**	-

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

14. Other financial assets and liabilities (continued)

Trade and other payables

	2010 £	2009 £
Current:		
Trade payables	**44,828**	24,204
Accruals and deferred income	**258,346**	46,881
Social security and other taxes	**25,013**	16,650
Other creditors	**-**	-
	328,187	87,735

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 30 days (2009: 30 days). The Directors consider that the carrying amount of trade payables approximates their fair value

15. Share capital

	2010 £	2009 £
Authorised		
3D Diagnostic Imaging plc		
1,000,000,000 ordinary shares of £0.001 each	**1,000,000**	1,000,000
Allotted, issued, and fully paid:		
3D Diagnostic Imaging plc		
108,004,285 (2009: 97,929,285) ordinary shares of £0.001 each	**108,004**	97,929

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

9,375,000 Ordinary shares of £0.001 each were issued on 19 November 2009. The total consideration received for these shares was £750,000.

500,000 Ordinary shares of £0.001 each were issued on 23 December 2009. The total consideration received for these shares was £37,500.

200,000 Ordinary shares of £0.001 each were issued on 8 February 2010. The shares were issued as consideration for services received by the Group. The fair value of the shares at date of issue was £18,000.

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 financial statements.

Categories of financial instruments

	2010	2009
	£	£
Financial assets (current)		
Trade receivables	**1,600**	-
Cash and cash equivalents	**67,446**	391,954
Financial liabilities (current)		
Trade payables	**44,828**	24,204

Credit risk

Credit risk refers to the risk that a 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 by placing available funds on short term deposit. The short term deposits are placed with banks for periods of 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 fair values at the balance sheet date.

17. Notes to the cash flow statement

	2010 £	13 months ended 30 June 2009 £
Operating loss	**(1,232,932)**	(1,119,600)
Amortisation of intangible costs	**91,817**	233,560
Depreciation of property, plant and equipment	**26,867**	1,850
Share based payment expense	**16,650**	-
Non cash flow movement in share based payment	**18,000**	-
Operating cash flows before movements in working capital	**(1,079,598)**	(884,190)
Decrease/(increase) in inventories	**4,382**	(160,910)
Increase in receivables	**(21,038)**	(74,721)
Increase in payables	**240,452**	87,735
Cash used in operations	**(855,802)**	(1,032,086)
Income taxes paid	**-**	-
Net cash used in operating activities	**(855,802)**	(1,032,086)

18. Share based payments

On 9 September 2009, the Company granted options over 450,000 ordinary shares under individual share option agreements at an exercise price of 7p per share to all employees. These options are exercisable between one and ten years from the date of grant. The options have a vesting period of one year.

No options were exercised during the year. Options are forfeited if the employees leave the Group before the options vest.

The options outstanding at 30 June 2010 had a weighted average exercise price of 7p (2009: nil), and a weighted average remaining contractual life of 9.25 years (2009: nil). The aggregate of the estimated fair values of the options outstanding at 30 June 2010 is £16,650 (2009: nil).

18. Share based payments (continued)

Details of the share options outstanding during the year:

	2010 Number	2009 Number
Outstanding at beginning of the year	-	-
Granted during the year	**450,000**	-
Outstanding at the end of the year	**450,000**	-
Exercisable at the end of the year	-	-

Inputs into the Black-Scholes model:

	2010	2009
Weighted average share price	**£0.15**	-
Weighted average exercise price	**£0.07**	-
Expected volatility	**50%**	-
Expected life (years)	**9.25**	-
Risk free rate	**1%**	-
Expected annual dividend yield	-	-

The expected volatility represents the Directors' best estimate of future volatility based on historical price fluctuations.

19. Financial commitments

Minimum lease payments under operating leases recognised as an expense in the year:

	2010 £	2009 £
	17,681	38,577

At 30 June 2010, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 £	2009 £
- within one year	**1,473**	17,681
- in the second to fifth years inclusive	-	1,473
	1,473	19,154

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

20. Post balance sheet events

The Group incorporated a US LLC, CarieScan LLC, on 14 July 2010. The LLC will be the employer of US based staff, primarily the sales support team established to service the US and Canadian distribution agreements.

In the period from July to September 2010 the Company raised £745,000 through the issue of unsecured convertible loan notes of £1 each. These loan notes carry an interest coupon of 5% per annum and upon the Company's subsequent admission to AIM will convert automatically at a price equivalent to a 25% discount on the price at which new equity funding is to be raised as a part of the admission process.

In October the Company announced that it was withdrawing from the PLUS quoted market and was intending to join AIM. Trading of the Company's shares on AIM is expected to commence on 22 November 2010.

On 26 October 2010, finnCap, on behalf of the Company received subscription letters in relation to the proposed placing and admission totalling £2.71 million.

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 BALANCE SHEET
as at 30 June 2010

	Note	2010 £	2009 £
Non-current assets			
Investments in subsidiary undertakings	b	**35,650**	1,000
Current assets			
Trade and other receivables	c	**84,355**	582,564
Cash and cash equivalents		**56,840**	-
		141,195	582,564
Total assets		**176,845**	583,564
Current liabilities			
Trade and other payables	d	**(31,830)**	-
		(31,830)	-
Net current assets		**109,365**	582,564
Net assets		**145,015**	583,564
Equity			
Share capital	e	**108,004**	97,929
Share premium account		**2,372,420**	1,605,025
Share based payment reserve		**16,650**	-
Retained earnings		**(2,352,059)**	(1,119,390)
Total equity		**145,015**	583,564

The financial statements of 3D Diagnostic Imaging plc (registered number 0002845V) were approved by the Board of Directors and authorised for issue on 26 October 2010 and were signed on its behalf by:

GR Lay, Chief Executive
26, October 2010

The accompanying notes are an integral part of these financial statements.

3D Diagnostic Imaging plc
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

	Share Capital £	Share Premium £	Share Based Payment Reserve	Retained Earnings £	Total £
Opening balances	**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)
Equity at end of the year	**108,004**	**2,372,420**	**16,650**	**(2,352,059)**	**145,015**

for the thirteen months ended 30 June 2009

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Opening balances	**-**	**-**	**-**	**-**
Shares issued (net of expenses)	97,929	1,605,025	-	1,702,954
Loss for the period	-	-	(1,119,390)	(1,119,390)
Equity at end of the period	**97,929**	**1,605,025**	**(1,119,390)**	**583,564**

The accompanying notes are an integral part of these financial statements.

3D Diagnostic Imaging plc
COMPANY CASH FLOW STATEMENT
for the year ended 30 June 2010

	Note	2010 £	13 months ended 30 June 2009 £
Net cash used in operating activities	f	**(702,630)**	(1,702,098)
Investing activities			
Interest received		-	144
Investment in subsidiary		-	(1,000)
Net cash used in investing activities		-	(856)
Financing activities			
Issue of share capital		**10,075**	97,929
Share premium		**777,425**	1,954,071
Issue costs		**(28,030)**	(349,046)
Net cash from financing activities		**759,470**	1,702,954
Net increase in cash and cash equivalents		**56,840**	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		**56,840**	-

The accompanying notes are an integral part of these financial statements.

a) Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards. 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 2010 was £1,232,669 (2009: loss £1,119,390). There have been no other gains or losses therefore the Company has not presented a Statement of Changes in Income. The financial statements 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 financial statements 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	Development and sale of medical devices in the dentistry sector.

Subsidiaries

Cost and net book value	2010 £	2009 £
As at 1 July 2009	**1,000**	1,000
Capital contribution	**34,650**	-
As at 30 June 2010	**35,650**	1,000

c) Trade and other receivables

	2010 £	2009 £
VAT recoverable	**60,142**	44,984
Other receivables	**17,163**	-
Amounts owed by subsidiary undertakings	**7,050**	537,580
	84,355	582,564

d) Trade and other payables

	2010	2009
	£	£
Trade payables	**14,155**	-
Accruals	**17,675**	-
	31,830	-

e) Share capital

	2010	2009
	£	£
Authorised		
3D Diagnostic Imaging plc		
1,000,000,000 ordinary shares of £0.001 each	**1,000,000**	1,000,000
Allotted, issued, and fully paid:		
3D Diagnostic Imaging plc		
108,004,285 (2009: 97,929,285) ordinary shares of £0.001 each	**108,004**	97,929

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

9,375,000 Ordinary shares of £0.001 each were issued on 19 November 2009. The total consideration received for these shares was £750,000.

500,000 Ordinary shares of £0.001 each were issued on 23 December 2009. The total consideration received for these shares was £37,500.

200,000 Ordinary shares of £0.001 each were issued on 8 February 2010. The shares were issued as consideration for services received by the Group. The fair value of the shares at date of issue was £18,000.

f) Notes to company cash flow statement

	2010 £	13 months ended 30 June 2009 £
Operating loss	**(1,216,019)**	(1,119,534)
Amortisation of intangible costs	**-**	161,713
Operating cash flows before movements in working capital	**(1,216,019)**	(957,821)
Decrease/(increase) in receivables	**481,559**	(744,277)
Increase in payables	**31,830**	-
Cash used in operations	**(702,630)**	(1,702,098)
Income taxes paid	**-**	-
Net cash used in operating activities	**(702,630)**	(1,702,098)

g) Employee information

The average number of employees, including executive Directors and key management personnel, employed by the Company during the year was:

	2010	2009
Finance & Administration	**4**	4
	4	4

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

	2010 £	13 months ended 30 June 2009 £
Wages and salaries	**56,458**	43,333
Social security costs	**5,337**	3,627
Pension contributions	**2,000**	-
	63,795	46,960