



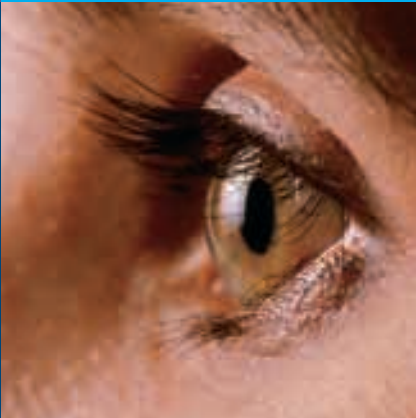
Pera Innovation Park Nottingham Road Melton Mowbray Leicestershire LE13 0PB

tel: +44(0)1664 503 600 fax: +44(0)1664 503 601 email: [info@ish.co.uk](mailto:info@ish.co.uk)

url: <http://www.ish.co.uk>

Report and Financial Statements for the year ended 30 September 2002

ANewVISION





Chairman's Statement - <i>Our Vision</i>	1-2
Review Of Operations - <i>Creating A Vision For Tomorrow</i>	3-6
Officers And Professional Advisors	7-8
Directors' Report	9-11
Independent Auditors' Report	12
Group Profit And Loss Account	13
Consolidated Balance Sheet	14
Company Balance Sheet	15
Consolidated Cash Flow Statement	16
Notes To The Cash Flow Statement	17
Notes To The Accounts	18-22
Notice Of Meeting	23

# CONTENTS

# OUR VISION

## CHAIRMAN'S STATEMENT

### INTRODUCTION

I am pleased to present the results of Image Scan Holdings Plc for the financial year ended 30th September 2002. In my statement, I shall give an overview of the year and comment briefly on the results, significant milestones, current trading and the Board's view of the Company's prospects for the remainder of this financial year. Further detail may be found in the Review of Operations and the financial statements immediately following.

### FINANCIAL RESULTS AND ACCOUNTING POLICY

Sales for the year were in excess of £500,000, an increase of seven times the previous year's results. Of these increased sales, over 90 percent arose during the second half of the year. The overhead has increased as part of the Company's planned expansion in the second half to £450,000 taking the annual charge to £876,000 (£490,000 for 2001). After adjustment for flotation costs and other, non-recurring items, the normalised overhead was £760,000, representing a 55.1 percent rise.

Gearing at the year-end was 12.5 percent, represented by borrowings of £128,000 (£719,000 for 2001). Shareholders' funds rose to over £1 million. The loss per share was 4.0 pence (4.3 pence in 2001).

Our accounting policy is to charge research and development (R&D) costs to the profit and loss account during the period in which they arise. This year has seen a 70% increase in R&D costs to £118,000.

In accordance with previously stated policy, no dividend will be recommended for the last financial year.

### THE COMMERCIAL BACKDROP

Our expertise lies in the application of innovative image acquisition, interpretation and presentation technologies. In particular, it remains focused on further developing and commercialising its multiple view X-ray imaging techniques, whereby three-dimensional (3D) information about objects under inspection may be captured and analysed. Commercial applications for the technology include security, from which we derived over 66 percent of sales last year, with the balance principally arising from industrial inspection products.

The product technology and its commercialisation in differing applications are discussed at greater length in the Review of Operations below.



## CHAIRMAN'S STATEMENT CONTINUED

## SIGNIFICANT MILESTONES

In April, the Company was admitted to the Alternative Investment Market (AiM) of the London Stock Exchange, following a successful Placing and Open offer which raised over £600,000 after expenses. In total and before costs, almost £1.8 million of additional equity capital was raised in the financial year 2001/2.

The flotation on AiM will serve to enhance our sales and marketing profile, and underpin our stature when conducting commercial negotiations with much larger corporations.

Towards the end of the last financial year, an agreement was reached with Rapiscan Security Products Limited (Rapiscan), one of the dominant global manufacturers of security screening systems, for the worldwide deployment of our innovative 3D X-ray technology. Following this agreement, the company obtained an order in August from a British government agency for a mobile baggage screening system incorporating a 3DX-Camera™. In addition, development and product supply contracts were concluded with both the British Government and the Transport Security Administration (formerly the Federal Aviation Administration) in America.

## CURRENT TRADING

We enter the current financial year with an order book to the value of £377,000, and have presently issued quotations to prospective customers in excess of a further £450,000. The Company's 3DX-Camera™ and software, housed in a bespoke Rapiscan chassis, were exhibited at AvSec World 2002 in Rome during the last week of October. This event is one of the leading annual aviation security exhibitions with an audience including airport operators, regulators, airlines and security professionals from around the world. The high level of interest shown at AvSec in the performance and functionality of the demonstration unit was encouraging.

Development work is in hand which will enable us to offer an industrial inspection solution not only using many of the software features of VIXion™ and AXIS-3D® but also capable of operating at higher line speeds. This product, designated DEX, is scheduled for launch during the current financial year.

## OUTLOOK

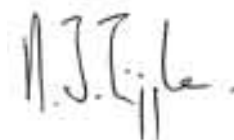
The pace at which sales accelerated over the second half of the last financial year, the quality of the strategic partnerships so far concluded and the extent of interest in our proprietary technology, particularly for security applications, lead my colleagues and I to consider that the remainder of the financial year will show continued progress. We are very pleased with our developing relationship with Rapiscan, which offers us significant worldwide opportunities and an established route to market. It is necessary, however, to bear in mind that, although our security scanning and industrial inspection systems offer our customers many functional and operational benefits, they do represent capital expenditure items that often require Board approval. This process can delay order placement but we remain optimistic of the level of market penetration achievable for 2003. Our key focus is now on converting the high level of interest generated in the technology into product sales.

## OTHER MATTERS

You will see from the attached financial statements that the Board has appointed Deloitte & Touche, Nottingham, as auditors to the Group. I should like to thank PKF for their past audit services.

## CONCLUSION

The year under review was an exciting period, during which many positive developments transpired within the Company. I should like to record the Board's thanks to the enlarged complement of 16 full-time staff for their contributions, and to shareholders for their continuing support. I look forward to reporting further progress after the end of the first half of the current year.



**NIGEL J TIPPLE**  
Chairman

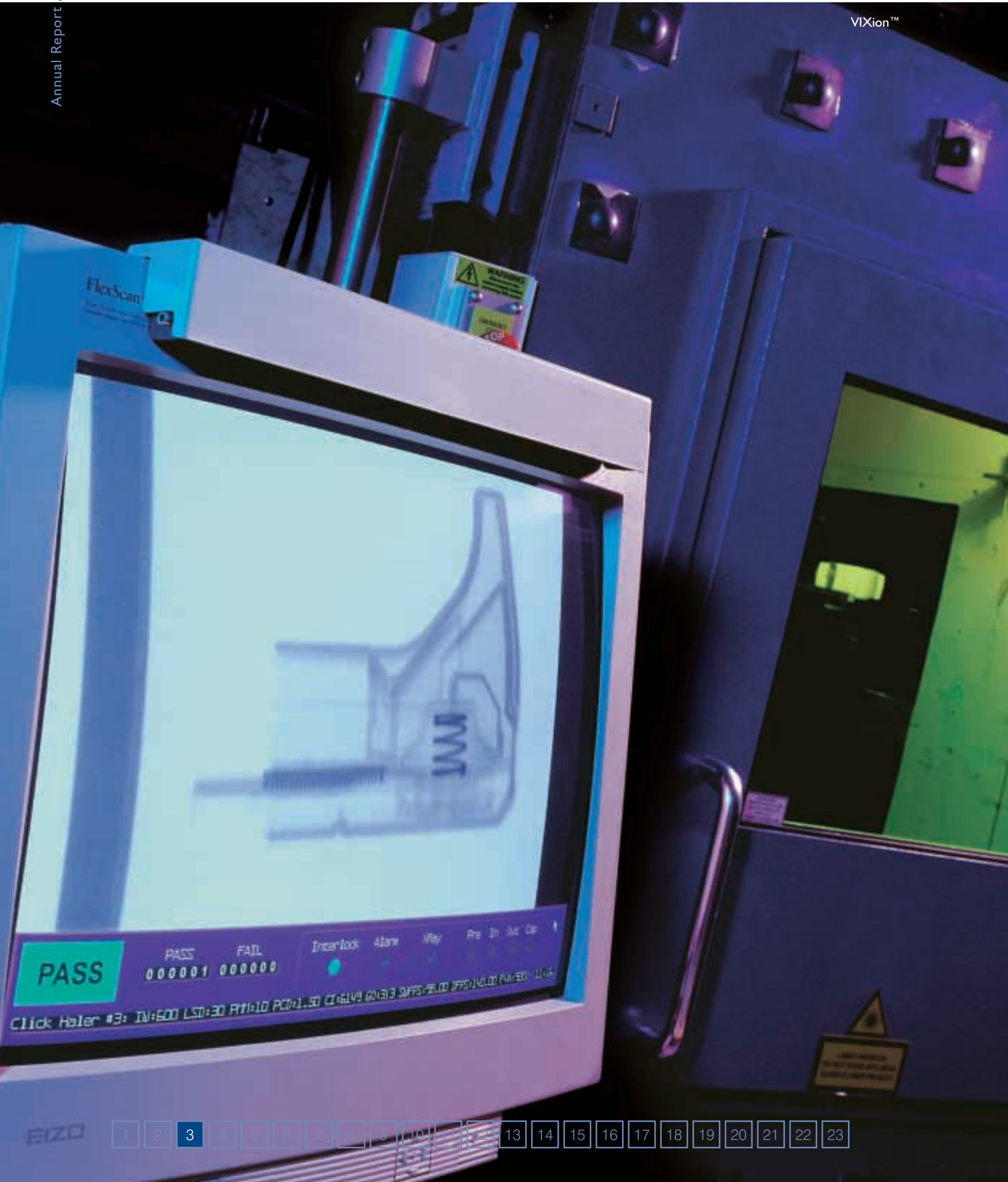
16 December 2002

# CREATING A VISION FOR TOMORROW

## REVIEW OF OPERATIONS

Annual Report And Accounts

VIXion™



## REVIEW OF OPERATIONS CONTINUED



## REVIEW OF OPERATIONS

The key figures in the financial results and the milestones passed during 2001/2 are highlighted in the Chairman's Statement. The increased turnover for last year was derived from three sectoral applications of Image Scan's image capture and image processing technology – security, industrial and medical – each of which is discussed below.

## SECURITY

The Company's range of security products is based upon the 3DX-Camera™, which provides real-time 3D X-ray images for use in the security screening of baggage, packages, freight and cargos at airports, border crossing points, secure buildings, logistics centres and elsewhere. Systems deploying the 3DX-Camera™ and associated software greatly assist screening operatives to assess rapidly the presence or absence of potential threat items within the item under scrutiny.

The second half of the financial year began with a substantial order from the Transport Security Administration (TSA) in America for an AXIS-3D® baggage screening unit, which was delivered during this period. At the same time, the TSA contracted Image Scan to develop a 3D version of Threat Image Projection (TIP) software to run on the AXIS-3D® system. TIP is a software package designed to aid the training and performance monitoring of security screening operatives, by randomly introducing images of threat items (guns, knives, plastic explosive) into the screen being viewed. The 3D TIP software will be made available to the TSA for evaluation during the first quarter of 2003.

In July, we concluded a manufacturing and sales agreement with Rapiscan, a major global manufacturer and supplier of X-ray security screening equipment. Shortly thereafter, the Company secured its first order under this agreement, to deliver a mobile, vehicle-mounted, 3D X-ray security scanning unit to a department of the British Government.

In late October, Rapiscan exhibited the first AXIS-3D® system built jointly by ourselves and Rapiscan at IATA's AvSec World 2002 exhibition in Italy. AvSec World is an important trade fair for the aviation security industry and the AXIS-3D® baggage scanner generated considerable interest from attendees.

## BUSINESS MODEL

Our business model for the security market is either to licence the technology or to act as an OEM supplier of key components, rather than to sell completed systems directly to end-users. Our recent agreements demonstrate the implementation of this model.

## INDUSTRIAL

The industrial inspection systems are designed to facilitate real-time, in-line X-ray inspection of components and assemblies, to ensure conformity with the manufacturer's specification, and to detect and signal any divergence from this. Such industrial inspection applications are particularly relevant if a finished assembly contains concealed working parts, and if the component or assembly is safety-critical, e.g., an electronic automotive component or a drug delivery system.

In May, we signed a memorandum of understanding with Bepak plc (Bepak) and subsequently obtained a research contract with the support of Bepak to explore the use of our VIXion™ multiple view X-ray imaging system to inspect their pulmonary and nasal drug delivery and dispensing products.

For lower resolution applications (up to 0.5mm), we are working on a system incorporating industrialised versions of the 3DX-Camera™, presently used in security systems.

Discussions with potential end-users have led us to identify a market opportunity for a medium resolution industrial inspection system, which is capable of operating at line speeds prevalent in the market. This product was referred to in the Chairman's Statement; provisionally to be known as DEX, it is currently in development and is due to be launched later this financial year.



## REVIEW OF OPERATIONS CONTINUED

### BUSINESS MODEL

In the medium term, the marketing and distribution model for industrial inspection is expected to follow the same strategy adopted for the security market. Initially, however, Image Scan will be working directly with end-users in order to develop a series of highly credible reference sites.

### MEDICAL

Whilst no contributions from medical applications are anticipated for at least three or four years, progress on the innovative cervical smear testing research project has exceeded expectations, and the first laboratory trials are now scheduled for the second half of 2004. Revenue in the year of £67,000 was derived solely from the completion of a first phase research report.

### BUSINESS MODEL

The Company's current policy is to ensure that all research on medical applications of its technology are at least self-funding, owing to the long-term nature of the commercial prospects for such research.

### RESEARCH AND DEVELOPMENT

R&D lies at the heart of Image Scan's commercial potential. The Company's strategy is to identify gaps in existing technology in the market place, to which it believes it can find marketable solutions, either through in-house development, or the integration of externally funded IPR which can be licensed into the Company.

When considering new R&D programmes, the Company will, wherever feasible, seek to minimise both the technical and commercial risk through collaborative research supported with external funding. An example of the practical implementation of this approach, is a research contract awarded in May 2002. This contract, with a total value of £198,000, is to investigate further extending the performance of the Company's VIXion™ system, in addition to developing specific design rules which will enable potential customers to design X-ray inspection capability into their products. This research programme draws on in-house expertise in imaging, X-ray source and detector design, in collaboration with specific key skills from research partners at the University of Bath, Pera and Bespak.



AXIS-3D®

Image courtesy of Rapiscan Security Products Ltd

## REVIEW OF OPERATIONS CONTINUED

The Company maintains close working relationships, both formal and informal, with a number of centres of academic excellence in the UK, Canada and the USA. Included among these organisations are: the Police Scientific Development Branch, Transport Security Administration, The Nottingham Trent University, University College London, Barts & The London Hospital Trust, University of Bath, University of Bristol, Pera and Manufacturing Materials Ontario.

## STAFF AND DIRECTORS

Ian Johnson was appointed a non-executive director at the end of January. He is one of the country's leading security consultants, and has served on many industry and government bodies. He has been an adviser on security to companies such as British Airways and Associated British Ports.

Ray Gibbs joined Image Scan as Finance Director immediately following the admission to AiM. He has helped to reorganise the Company's financial reporting procedures, and his 20 years' experience in practice and industry are proving valuable.

Louise George, the financial controller, has taken on the responsibility of Company Secretary, bringing this function in-house.

Jan Zandhuis became business development manager with specific responsibility for the industrial inspection market in May. He is a highly experienced manager of innovative technology, having held senior posts in the U.K. and continental Europe.

The technical and administrative teams have also been strengthened during the year, and the staff complement is now 16, of whom 12 are technical and 4 in sales or administrative positions.

## FINANCES

The Company raised a total of almost £1.8 million (before costs) of new equity finance during the year and we were therefore able to reduce our indebtedness to a more appropriate level. It is clear, however, that the Company's order book, and the consequent amount of work in progress needed to fund our growth, could rise significantly during the remainder of the current financial year. The average lead-time between receipt and delivery of order for the capital equipment items we provide is 14 weeks, and requirements may therefore arise for working capital funding. With this in mind, the Company has negotiated an additional overdraft facility of £250,000, which may be drawn down as the need arises.

As a result of a number of special one-off contracts, we saw the Company's gross profit margins improve in the second half, from 14.9 percent to 47.7 percent as we concentrated on the delivery of these commercial contracts.

## CONCLUSION

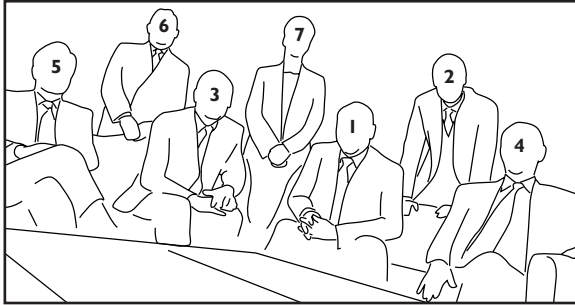
I would like to thank the staff for their support in the year and ongoing commitment to achieving the Group's continued growth and prospects for the future outlined in the Chairman's Statement.



NICHOLAS D. FOX  
Chief Executive Officer

16 December 2002

# OFFICERS AND PROFESSIONAL ADVISORS



## NON-EXECUTIVE CHAIRMAN

Nigel J Tipple, BA (Oxon)

## EXECUTIVE DIRECTORS

- |                             |                         |
|-----------------------------|-------------------------|
| 1. Nicholas D Fox, MSc      | Chief Executive Officer |
| 2. Simon X Godber, PhD      | Technical Director      |
| 3. Raymond J Gibbs, BA, FCA | Finance Director        |

## NON-EXECUTIVE DIRECTORS

4. Iain M Robertson, MA
5. Ian S S Johnson
6. Robert Savage, BSc

## COMPANY SECRETARY

7. Louise J George, BSc, ACA





#### REGISTERED OFFICE

Pera Innovation Park  
Nottingham Road  
Melton Mowbray  
Leicestershire  
LE13 0PB

#### PRINCIPAL BANKERS

Lloyds TSB Bank plc  
24/26 High Street  
Wells  
Somerset  
BA5 2SJ

Royal Bank of Scotland plc  
8 South Parade  
Nottingham  
NG1 2JS

#### SOLICITORS

Hardwick Stallards  
Centurion House  
37 Jewry Street  
London  
EC3N 2ER

#### REGISTRARS

Northern Registrars Ltd  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

#### AUDITORS

Deloitte & Touche  
Nottingham

# DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

## BUSINESS ACTIVITY, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The principal activities of the Group have been the continuing development of three-dimensional imaging technology. Further details can be found in the Chairman's Statement and the Review of Operations set out in pages 1 to 6. The Company acts as a holding company.

## RESULTS AND DIVIDENDS

The results for the year ended 30 September 2002 show a loss of £602,859 (2001: £523,592). The directors do not recommend the payment of a dividend.

## DIRECTORS

The present directors are listed on page 7.

### DIRECTORS' INTERESTS

The directors' interests, all of which were beneficial, in the shares of the Company at the year end were as follows:

	30 September 2002 ordinary shares of 1p each	30 September 2001 ordinary shares of 1p each
N J Tipple	-	-
N D Fox	2,272,335	2,270,835
S X Godber	-	-
I S S Johnson	-	-
I M Robertson	5,166	5,000
R J Gibbs (appointed 25 April 2002)	-	-
R Savage	2,066	2,000

The following existing options had been granted at the start of the year:

**N J Tipple** - 100,000 ordinary shares of 1p each at a price of 50p per share exercisable at any time up to 20 September 2004.

**S X Godber** - Under the Image Scan 1999 Approved Share Option Scheme, on 4 May 2000, 50,000 ordinary shares of 1p each at a price of 25p per share; and on 30 April 2001, 10,000 ordinary shares of 1p each at a price of 50p per share. In both cases the options are exercisable at any time after three years but no later than ten years from the date of grant.

**I M Robertson** - 20,000 ordinary shares of 1p each at a price of 50p per share exercisable at any time up to 20 September 2004.

**R Savage** - 25,000 ordinary shares of 1p each at a price of 50p per share exercisable at any time up to 1 August 2004.

The following share options were granted during the year:

**I S S Johnson** - 45,455 ordinary shares of 1p each at a price of 55p per share exercisable at any time up to 22 January 2005.

**I M Robertson** - 45,455 ordinary shares of 1p each at a price of 55p per share exercisable at any time up to 22 January 2005.

**R J Gibbs** - 76,923 ordinary shares of 1p each at a price of 65p per share exercisable at any time up to 25 April 2005.

There have been no movements in the holdings of directors since the financial year end and no directors exercised share options, nor had any options lapsed, during the year. The share price high and low during the period since listing on 25 April 2002 were 75.5p and 60.5p per share respectively. The closing mid-market price was 62.5p per share.

### SUBSTANTIAL SHAREHOLDINGS

At the date of this report the following substantial shareholdings have been notified to the Company:

	%	Ordinary shares of 1p each
Professor M Robinson	15.8	2,560,000
Gresham House plc	11.1	1,808,333
Welsh Industrial Investment Trust plc	6.4	1,033,333
3PC Investment Trust plc	5.8	939,394
AiM VCT 2 plc	5.8	939,394
Newinnhall Trust Limited	5.1	826,666
Gresham House No 1 Pension Scheme	4.8	775,000
A P Stirling	5.1	826,666

### SHARE TRANSACTIONS

During the year, the company issued 3,049,038 ordinary shares of 1p each. Full details of these issues are given in note 16 to the accounts.

### RESEARCH AND DEVELOPMENT

The Group continues to be focused on research and development, with considerable technical staff effort focussed on such activities. Costs of this in the year amounted to £117,654 (2001: £69,612).

### FIXED ASSETS

The intangible assets as detailed in note 9 are included at a net book value of £192,460 (2001: £265,014). The directors believe the intellectual property rights are worth considerably in excess of this amount.

The movement in investments during the year is detailed in note 10 to the accounts.

### PAYMENT POLICY

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then to abide by these terms. At 30 September 2002 trade creditors represented 38 days purchases (2001: 63 days).

## DIRECTORS' REPORT CONTINUED

### FINANCIAL INSTRUMENTS

The Group's financial instruments during the year comprised bank loans, overdraft and cash (or cash equivalents). The main purpose of these instruments is the financing of the Group's operations.

Following a review, the Board decided not to enter into any derivative transactions in the year to manage currency, interest rate or liquidity risk. Methods used by the Group to manage these risks are summarised below.

#### Interest rate risk

The Group finances its operations by a mixture of proceeds from new share capital and external borrowings. Bank borrowings are denominated in sterling and bear interest at floating rates.

#### Liquidity risk

The Group policy to manage liquidity risk is to ensure sufficient overdraft and loan facilities are in place.

#### Foreign currency risk

The Group makes both sales and purchases in US dollars. The foreign currency exchange risk is managed by netting these payments and receipts through a US dollar bank account.

### DIRECTORS' STATEMENT OF RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### GOING CONCERN

The directors have acknowledged the latest guidance on going concern and, after making appropriate enquiries, have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### AUDITORS

Deloitte & Touche were appointed during the period and have expressed their willingness to continue in office as auditors. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



L J GEORGE  
Company Secretary

16 December 2002

# INDEPENDENT AUDITORS' REPORT

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

We have audited the financial statements of Image Scan Holdings plc for the year ended 30 September 2002 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement (and notes i-iii thereto) and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Review of Operations and the 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 other information.

### BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2002 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



### DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors  
Nottingham

16 December 2002



# GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2002

	Note	2002 £	2001 £
<b>TURNOVER</b>	2	502,697	62,447
Cost of sales		(262,840)	(8,982)
Gross profit		239,857	53,465
Administrative expenses		(875,575)	(489,921)
<b>OPERATING LOSS</b>	3	(635,718)	(436,456)
Interest receivable		13,304	8,291
Interest payable	5	(42,193)	(95,427)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(664,607)	(523,592)
Taxation	6	61,748	-
<b>LOSS ON ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		(602,859)	(523,592)
Dividends		-	-
<b>Loss retained for the year</b>	17,18	(602,859)	(523,592)
<b>Earnings per share</b>	7	Pence	Pence
Basic and diluted loss per share		4.0	4.3

There are no recognised gains or losses other than the loss for the year and the prior year. All amounts relate to continuing operations during each year.

The reconciliation of movement in shareholders' funds can be found in note 18.

# CONSOLIDATED BALANCE SHEET

30 SEPTEMBER 2002

	Note	2002 £	2001 As restated (note 1) £
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	109,050	104,276
Intangible fixed assets	9	192,460	265,014
		301,510	369,290
<b>CURRENT ASSETS</b>			
Stock and work in progress	11	69,931	5,012
Debtors	12	370,220	29,210
Short term investments – deposit account		42,924	413,468
Cash at bank and in hand		535,197	22,512
		1,018,272	470,202
<b>CREDITORS: amounts falling due within one year</b>	13	(157,664)	(687,110)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		860,608	(216,908)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,162,118	152,382
<b>CREDITORS: amounts falling due after more than one year</b>	13	(90,842)	(128,204)
		1,071,276	24,178
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	162,502	132,011
Share premium account	17	2,911,118	1,291,652
Profit and loss account as restated	17	(2,002,344)	(1,399,485)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	1,071,276	24,178

These financial statements were approved by the Board of Directors on 16 December 2002

Signed on behalf of the Board of Directors



N D FOX  
Director

# COMPANY BALANCE SHEET

30 SEPTEMBER 2002

	Note	2002 £	2001 As restated (note 1) £
<b>FIXED ASSETS</b>			
Investments	10	52,004	52,004
<b>CURRENT ASSETS</b>			
Debtors	12	2,666,518	1,572,259
Short term investments – deposit account		42,924	413,468
Cash at bank and in hand		428,214	-
		3,137,656	1,985,727
<b>CREDITORS: amounts falling due within one year</b>	13	(102,898)	(609,580)
<b>NET CURRENT ASSETS</b>		3,034,758	1,376,147
		3,086,762	1,428,151
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	162,502	132,011
Share premium account	17	2,911,118	1,291,652
Profit and loss account	17	13,142	4,488
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	3,086,762	1,428,151

These financial statements were approved by the Board of Directors on 16 December 2002

Signed on behalf of the Board of Directors



N D FOX  
Director

# CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2002

	Note	2002	2001
		£	As restated (note 1) £
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	(i)	(797,227)	(456,821)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		13,304	8,041
Interest payable	5	(42,193)	(95,427)
		(28,889)	(87,386)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets	8	(74,651)	(100,890)
Purchase of intangible fixed assets	9	(16,291)	47,976
		(90,942)	(52,914)
<b>NET CASH OUTFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES</b>		(917,058)	(597,121)
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Withdrawal/(purchase) of short term deposits		370,544	(413,468)
<b>FINANCING</b>			
Issue of ordinary share capital	18	1,649,957	996,178
Bank loans repaid	13	(37,363)	(37,363)
Other loans (repaid)/advanced	13	(516,840)	27,280
		1,095,754	986,095
<b>INCREASE/(DECREASE) IN CASH IN THE YEAR</b>	(ii), (iii)	549,240	(24,494)

# NOTES TO THE CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2002

	2002	2001
	£	£
<b>i) RECONCILIATION OF OPERATING CASH FLOWS</b>		
Operating loss	(635,718)	(436,456)
Depreciation	53,893	42,064
Amortisation	17,500	-
Grants received	-	250
Research and development written off	71,345	-
(Increase)/decrease in stock	(48,934)	27,382
(Increase)/decrease in debtors	(279,262)	29,240
Increase/(decrease) in creditors	23,949	(119,301)
<b>Net cash flow from operating activities</b>	<b>(797,227)</b>	<b>(456,821)</b>

	2001	Cash flow	Other non-cash charges	2002
	As restated (note 1) £	£	£	£
<b>ii) ANALYSIS OF NET DEBT</b>				
Cash at bank and in hand	22,512	512,685	-	535,197
Bank overdraft	(36,555)	36,555	-	-
		549,240		
Debt due within one year	(37,363)	37,363	(37,363)	(37,363)
Debt due after one year	(128,204)	-	37,363	(90,841)
Loan from Security Change Limited	(516,840)	516,840	-	-
		554,203		
Current asset investments	413,468	(370,544)	-	42,924
	(282,982)	732,899	-	449,917

	2002	2001
	£	As restated (note 1) £
<b>iii) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)</b>		
Increase/(decrease) in cash in the period	549,240	(24,494)
Cash outflow from decrease in debt	554,203	10,083
Cash inflow/(outflow) from decrease/(increase) in liquid resources	(370,544)	413,468
<b>Change in net debt resulting from cash flows</b>	<b>732,899</b>	<b>399,057</b>
Net debt at 1 October	(282,982)	(682,039)
<b>Net funds at 30 September</b>	<b>449,917</b>	<b>(282,982)</b>

# NOTES TO THE ACCOUNTS

YEAR ENDED 30 SEPTEMBER 2002

## 1. ACCOUNTING POLICIES

### Basis of accounting

The consolidated accounts, which have been prepared in accordance with applicable Accounting Standards and under the historical cost convention, comprise the audited accounts of Image Scan Holdings plc and its subsidiary undertakings (see note 10) made up to 30 September in each case.

All subsidiary undertakings have been accounted for using the acquisition method of accounting.

### Basis of preparation

The accounts are drawn up on a going concern basis which assumes that continuing support will be provided by shareholders and bank overdraft facilities.

### Goodwill

All goodwill arose prior to the implementation of FRS10. This remains eliminated against reserves and will be charged or credited to the profit and loss account as appropriate on the subsequent disposal of the business to which it relates.

### Depreciation

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost over the expected useful life of each asset as follows:

Computer equipment	-	33 1/3% of cost
Demonstration equipment	-	25% of cost
Plant & office equipment	-	between 20% and 25% of cost

Additional depreciation is provided, where appropriate, to reduce the carrying value of tangible fixed assets to their value to the business. Assets under construction are not depreciated until bought into use.

### Leases

Operating lease rentals and other similar rentals are charged to the profit and loss account in equal annual amounts over the term of the agreement.

### Pension costs

Contributions to defined contributions schemes are charged against profits as they arise.

### Investments

The investments in subsidiary undertakings are stated at cost. Provisions are made if, in the opinion of the directors, there has been impairment in value.

### Deferred taxation

The Group has adopted FRS19 Deferred Tax during the year. This did not give rise to the need for any prior year adjustment. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in a period different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Stock

Stock is valued at the lower of cost and net realisable value. Work in progress is valued at the cost of materials and direct labour incurred.

### Patent costs

Expenditure on patents in respect of the three-dimensional imaging technology is capitalised and treated as an intangible fixed asset. Patents are amortised on a straight-line basis over their remaining life.

### Development costs

Expenditure on development costs is written off as incurred unless there is a clearly definable project with a recognisable value that will lead to known future revenue against which the costs can be amortised. Where such costs are capitalised, they are valued at cost less provision for impairment.

### Prior year adjustment

In the previous year £413,468 was classified as cash in both the Group and the Company balance sheets. This balance represents cash on deposit which is not repayable on demand and is therefore better presented as a short-term investment. Similarly in the cashflow statement and related notes, this amount has been reclassified from cash to liquid resources. There has been no profit impact from this.

## 2. TURNOVER

Turnover, which excludes value added tax and intra group trading, represents the value, net of discount, of goods sold and services provided. The Group's main activity is the continuing development of multi-view X-ray imaging techniques with applications in the security, industrial and medical sectors. All turnover is derived from operations in the United Kingdom and is analysed as follows:

	UK 2002	USA 2002	Total 2002	UK 2001	USA 2001	Total 2001
	£	£	£	£	£	£
Group turnover by destination						
Security	163,702	169,831	333,533	47,447	-	47,447
Industrial	101,452	-	101,452	15,000	-	15,000
Medical	67,200	-	67,200	-	-	-
Other	512	-	512	-	-	-
	<b>332,866</b>	<b>169,831</b>	<b>502,697</b>	<b>62,447</b>	<b>-</b>	<b>62,447</b>

An analysis of the loss before tax and net assets by sector has not been included as the directors believe that to do so would be seriously prejudicial to the interests of the Group.

## 3. OPERATING LOSS

	2002	2001
	£	£
Operating loss is stated after charging/(crediting):		
Depreciation – owned assets	53,893	42,064
Amortisation – intangible assets	17,500	-
Amounts written off development costs	71,345	-
Research & development	117,654	69,612
Auditors' remuneration		
Audit	13,500	11,100
Other services	6,500	4,112

## NOTES TO THE ACCOUNTS CONTINUED

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002	2001
<b>Directors' emoluments</b>	<b>£</b>	<b>£</b>
Management remuneration	138,908	146,987
Fees as directors	26,500	8,000
	<b>165,408</b>	<b>154,987</b>
<b>Average number of persons employed (including directors)</b>	<b>No</b>	<b>No</b>
Accounts and administration	1	1
Technical	7	5
Directors	7	4
	<b>15</b>	<b>10</b>
<b>Staff costs during the year (including directors)</b>	<b>£</b>	<b>£</b>
Wages and salaries	428,015	247,488
Social security costs	36,741	21,526
	<b>464,756</b>	<b>269,014</b>

The Group contributes to a defined contribution pension scheme for the benefit of N D Fox and S X Godber. For the year ended 30th September 2002 contributions amounted to £3,450 and £1,600 respectively (2001: £2,400 and nil).

The remuneration of I M Robertson amounting to £4,500 was paid to Struan Associates, a business in which he has a material interest, and R Savage amounting to £6,350 was paid to Ratae Management Services, a business in which he has a material interest.

During the year the Group made sales of £67,200 (2001: £nil) to Cell-ID Limited, a company of which N D Fox is also a director. All of this amount is included in debtors at the year end.

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
<b>Interest payable on loans and overdrafts</b>	<b>£</b>	<b>£</b>
- repayable within five years	42,193	94,907
- repayable wholly or partly in more than five years	-	520
	<b>42,193</b>	<b>95,427</b>

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
<b>a) Analysis of charge in the year</b>	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax at 19% (2001: 20%) based on the profit for the year (note 6b)	-	-
Adjustments in respect of previous years – R&D tax credits recoverable	61,748	-
<b>Total current tax</b>	<b>61,748</b>	<b>-</b>
<b>Deferred tax</b>		
Current year charge	-	-
Adjustments in respect of prior years	-	-
<b>Total current tax (note 14)</b>	<b>-</b>	<b>-</b>
	<b>2002</b>	<b>2001</b>
<b>b) Factors affecting the tax charge for the year</b>	<b>£</b>	<b>£</b>
Loss on ordinary activities before tax	(664,607)	(523,592)
Tax on loss on ordinary activities at standard rate	(126,275)	(104,718)
<b>Effects of:</b>		
Permanent differences	(21,427)	191
Depreciation in excess of capital allowances	7,429	(1,517)
Current year loss not utilised	140,825	106,044
Utilisation of bought forward losses	(552)	-
<b>Actual tax charge for the year (note 6a)</b>	<b>-</b>	<b>-</b>

The Group has accumulated trading losses to be carried forward of approximately £1,900,000 (2001: £1,400,000).

## 7. EARNINGS PER SHARE

	2002	2001
	<b>£</b>	<b>£</b>
Loss for the year	602,859	523,592
Weighted average number of ordinary shares in issue	15,061,611	12,053,040
Basic and diluted earnings per share	<b>(4.0)</b>	<b>(4.3)</b>

FRS14 requires presentation of diluted earnings per share (EPS) when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally and there are no other diluting future share issues, diluted EPS equals basic EPS.

**8. TANGIBLE FIXED ASSETS**

Group	Assets under construction	Computer equipment	Demonstration equipment	Plant & office equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 October 2001	-	18,348	135,813	8,328	162,489
Additions	26,334	37,828	3,781	6,708	74,651
Transfer to work in progress	-	-	(48,731)	-	(48,731)
At 30 September 2002	<b>26,334</b>	<b>56,176</b>	<b>90,863</b>	<b>15,036</b>	<b>188,409</b>
<b>Depreciation</b>					
At 1 October 2001	-	8,584	45,511	4,118	58,213
Provided during the year	-	18,726	31,722	3,445	53,893
Transfer to work in progress	-	-	(32,747)	-	(32,747)
At 30 September 2002	-	<b>27,310</b>	<b>44,486</b>	<b>7,563</b>	<b>79,359</b>
<b>Net book value</b>					
At 30 September 2002	<b>26,334</b>	<b>28,866</b>	<b>46,377</b>	<b>7,473</b>	<b>109,050</b>
At 30 September 2001	-	9,764	90,302	4,210	104,276

**9. INTANGIBLE FIXED ASSETS**

Cost	Patent rights	Development costs	Total
	£	£	£
At 1 October 2001	196,951	68,063	265,014
Additions	13,009	3,282	16,291
Written off	-	(71,345)	(71,345)
At 30 September 2002	<b>209,960</b>	-	<b>209,960</b>
<b>Amortisation</b>			
At 1 October 2001	-	-	-
Provided during the year	17,500	-	17,500
At 30 September 2002	<b>17,500</b>	-	<b>17,500</b>
<b>Net book value</b>			
At 30 September 2002	<b>192,460</b>	-	<b>192,460</b>
At 30 September 2001	196,951	68,063	265,014

**10. INVESTMENTS**

Subsidiary undertakings - Company	Total
Cost and net book value	£
At 1 October 2001 and 30 September 2002	<b>52,004</b>

The subsidiary undertakings of Image Scan Holdings plc, all of which principally trade and are registered in England, are as follows:

Company	Principal activities	Country of incorporation and operations	% ordinary share capital	Investment shares at cost	
				2002	2001
				£	£
Stereo Scan Systems Limited	Development of advanced imaging technology	England	100%	51,000	51,000
Baggage Scan Limited	Exploitation of advanced imaging technology in the security sector	England	100%	1	1
Industrial Scanning Inspection Systems Limited	Exploitation of advanced imaging technology as applied to industrial inspection	England	100%	1,000	1,000
Cargo Scan Limited	Dormant	England	100%	1	1
Mediscan Limited	Exploitation of advanced imaging technology for medical applications	England	100%	2	2

**11. STOCK**

	Group 2002	Group 2001	Company 2002	Company 2001
	£	£	£	£
Stock	64,998	-	-	-
Work in progress	4,933	5,012	-	-
	<b>69,931</b>	<b>5,012</b>	-	-

There are no significant differences between the replacement costs and the stock values shown above.



## NOTES TO THE ACCOUNTS CONTINUED

**12. DEBTORS**

	Group 2002	Group 2001	Company 2002	Company 2001
	£	£	£	£
Trade debtors	264,334	17,625	75,097	-
VAT recoverable	466	4,076	-	-
Other debtors and prepayments	43,672	7,509	3,352	5,298
Corporation tax recoverable	61,748	-	-	-
Amounts due from subsidiary undertakings	-	-	2,588,069	1,566,961
	<b>370,220</b>	<b>29,210</b>	<b>2,666,518</b>	<b>1,572,259</b>

**13. CREDITORS**

	Group 2002	Group 2001	Company 2002	Company 2001
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Bank overdraft	-	36,555	-	17,916
Bank loan	37,363	37,363	-	-
Other loans	-	516,840	-	516,840
Trade creditors	65,148	66,087	50,253	34,298
Other creditors	1,410	-	-	-
Taxation and social security	13,906	6,993	26,257	25,349
Accruals	39,837	23,272	26,008	15,177
Amounts due to subsidiary undertakings	-	-	380	-
	<b>157,664</b>	<b>687,110</b>	<b>102,898</b>	<b>609,580</b>

**Amounts falling due after more than one year**

Bank loan	90,842	128,204	-	-
-----------	--------	---------	---	---

A bank loan of £100,000 was advanced in March 1998 under the Small Firms Loan Guarantee Scheme. The loan is being repaid by 84 monthly instalments commencing six months after drawdown. Interest is payable at 3% p.a. over Lloyds TSB Bank plc base rate. A further loan of £150,000 was advanced in July 1999 also under the Small Firms Loan Guarantee Scheme. The loan is being repaid by 26 quarterly instalments commencing six months after drawdown. Interest is payable at 2 1/2% p.a. over Lloyds TSB Bank plc base rate. These loans are secured by debentures from the Company and by a legal charge over the life policies of two directors dated 4 November 1998.

On 25th March 2002, the Group repaid the £516,840 loan from Security Change Limited.

Loan or instalments thereof are repayable over the following periods:

	2002	2001
	£	£
Within one year or less or on demand	37,363	37,363
More than one year but not more than two years	37,363	37,363
More than two years but not more than five years	53,479	90,841
More than five years	-	-
	<b>128,205</b>	<b>165,567</b>

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	2002 Group	2001 Group
	£	£
<b>Deferred tax</b>		
At 1 October	-	-
Charge for the year	-	-
Adjustment in respect of prior periods	-	-
	-	-

The amount of deferred tax provided and not provided in the accounts are as follows:

	Provided 2002	Not provided 2002	Provided 2001	Not provided 2001
Group	£	£	£	£
Accelerated capital allowances	10,957	(13,745)	45,958	(10,561)
Losses	(10,957)	(347,167)	(45,958)	(233,898)
	-	<b>(360,912)</b>	-	<b>(244,459)</b>

There are no timing differences in the Company.

**15. COMMITMENTS**

At 30 September 2002 the Group was committed to making the following payments during the next year in respect of operating leases for equipment rentals:

	2002	2001
	£	£
Leases which expire: Within one year	5,600	4,800

At 30 September 2002 there were no capital commitments (2001: nil).

## 16. CALLED UP SHARE CAPITAL

	2002	2001
	£	£
<b>Authorised:</b>		
20,000,000 ordinary shares of 1p each	200,000	200,000
<b>Called up, allotted and fully paid:</b>		
16,250,203 ordinary shares of 1p each	162,502	132,011

During the year, the Company made the following issues of shares for working capital purposes:

	Nominal Value	Consideration
	£	£
1,818,182 ordinary shares of 1p at 55p per share on 11 January 2002	18,182	1,000,000
80,856 ordinary shares of 1p at 60p per share on 20 February 2002	809	48,514
1,150,000 ordinary shares of 1p at 65p per share on 25 April 2002	11,500	747,500

At 30 September 2002, the following options were outstanding:

- Options granted on 3 July 1998 over 300,000 ordinary shares of 1p each, exercisable at any time up to 30 June 2003 at 150p per share.
- Options granted on 4 May 2000 over 80,000 ordinary shares of 1p each under the Image Scan 1999 Approved Share Option Scheme. These options are exercisable after three years, but not later than ten years, at 25p per share.
- Options granted on 30 April 2001 over 40,000 ordinary shares of 1p each under the Image Scan 1999 Approved Share Option Scheme. These options are exercisable after three years, but not later than ten years, at 50p per share.
- Options granted on 1st August 2001 over 25,000 ordinary shares of 1p each, exercisable at any time up to 1 August 2004 at 50p per share.
- Options granted on 20 September 2001 over 120,000 ordinary shares of 1p each, exercisable at any time up to 20 September 2004 at 50p per share.
- Options granted on 22 January 2002 over 90,910 ordinary shares of 1p each, exercisable at any time up to 22 January 2005 at 55p per share.
- Options granted on 25 April 2002 over 76,923 ordinary shares of 1p each, exercisable at any time up to 25 April 2005 at 65p per share.
- Options granted on 21 May 2002 over 12,000 ordinary shares of 1p each under the Image Scan 1999 Approved Share Option Scheme. These options are exercisable at any time up to 21 May 2012 at 74.5p per share. Of these options 1,000 lapsed on 31st July 2002 and a further 1,000 lapsed on 14 October 2002 on the departure of the employees to whom they were granted.

## 17. RESERVES

	Share premium account	Profit and loss account	Total
	£	£	£
<b>Group</b>			
Balance at 1 October 2001	1,291,652	(1,399,485)	(107,833)
Issue of shares	1,619,466	-	1,619,466
Loss attributable to members of the Group	-	(602,859)	(602,859)
Balance at 30 September 2002	2,911,118	(2,002,344)	908,774
<b>Company</b>			
Balance at 1 October 2001	1,291,652	4,488	1,296,140
Issue of shares	1,619,466	-	1,619,466
Profit attributable to members of the Company	-	8,654	8,654
Balance at 30 September 2002	2,911,118	13,142	2,924,260

The figures reported in 2001 showed a capital reserve of £50,949 which related to goodwill previously eliminated against reserves prior to FRS10. Upon implementation of FRS10 this amount should have been transferred to the profit and loss reserve. This has been amended in the comparatives this year.

As permitted by section 230 of the Companies Act 1985, a separate profit and loss account for the holding company has not been included. The profit for the financial year dealt with in the accounts of the parent company was £8,654 (2001: £2,229).

## 18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group 2002	Group 2001	Company 2002	Company 2001
	£	£	£	£
Opening shareholders' funds	24,178	(448,408)	1,428,151	429,744
Issue of shares - par	30,491	20,803	30,491	20,803
Issue of shares - share premium	1,619,466	975,375	1,619,466	975,375
(Loss)/profit attributable to members of the company	(602,859)	(523,592)	8,654	2,229
<b>Closing shareholders' funds</b>	<b>1,071,276</b>	<b>24,178</b>	<b>3,086,762</b>	<b>1,428,151</b>

## 19. TRANSACTIONS WITH RELATED PARTIES

The Group has taken advantage of the exemption conferred by FRS 8, paragraph 3(c), and does not disclose transactions within the Group.

## 20. FINANCIAL INSTRUMENTS

The disclosures required by FRS 13 in relation to the nature of any financial instruments used during the year to mitigate interest rate, liquidity and foreign currency risks, are shown in the Directors' Report on page 11 under the heading "Financial Instruments". As permitted by FRS 13, short term debtors and creditors are excluded from all disclosures other than the currency profile. There are no non-equity shares.

The maturity profile of Group financial liabilities, being only bank loans and overdrafts, are shown in note 13.

The Group had no undrawn committed borrowing facilities at 30 September 2002 (2001: £nil).

All financial assets and liabilities bear interest at floating rates based on the bank base rate.

Fair values of gross financial assets (cash and short term investments) and gross financial liabilities (bank loans and overdrafts) are considered to be the same as book values at both 30 September 2002 and 30 September 2001.

### Currency profile

At the year end trade debtors included US\$134,171 (2001: nil) and trade creditors included US\$9,172 (2001: nil). All other financial assets and liabilities are denominated in Sterling.

# NOTICE OF MEETING

## NOTICE AND AGENDA OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders will be held at 10.00am on Wednesday 26th March 2003 at Pera Innovation Park, Nottingham Road, Melton Mowbray, Leicestershire, LE13 0PB for the purpose of considering and, if thought fit, passing the following resolutions as to resolutions 1-5 as Ordinary Resolutions and as to resolution 6 as a Special Resolution.

### ORDINARY RESOLUTIONS

1. To receive and adopt the financial statements for the year ended 30 September 2002 together with the reports of the directors and auditors thereon.
2. To re-elect as a director R J Gibbs who retires in accordance with the Company's Articles of Association.
3. To re-elect as a director I M Robertson who retires by rotation and offers himself for re-election.
4. To re-elect as a director R Savage who retires by rotation and offers himself for re-election.
5. To re-appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration.

### SPECIAL RESOLUTION

6. To authorise and empower the directors, pursuant to Section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by the Extraordinary General Meeting held on 22nd April 2002 as if Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount being five percent of the Company's issued share capital as shown by the latest published annual accounts of the Company and shall expire on the date which is fifteen months after the date on which this resolution is passed or, if earlier, at the conclusion of the next annual general meeting of the Company, save that the directors be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require securities to be allotted after expiry.

By order of the board



L J GEORGE  
Company Secretary

#### Registered Office:

Pera Innovation Park  
Nottingham Road  
Melton Mowbray  
Leicestershire LE13 0PB

#### Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is enclosed and to be valid must be completed and returned so as to reach the Registrars of the Company, Northern Registrars Ltd, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power (written authority) not less than forty eight hours before the time fixed for holding the meeting or any adjournment thereof.
4. Copies of the directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours.

