Image Scan Holdings plc
annual report and accounts 2013

Advanced x-ray systems

Corporate statement

Image Scan Holdings plc is a specialist in innovative real-time 2D and 3D x-ray technology operating globally in the security, industrial inspection and nuclear sectors.

The Group's principal activity is the design, build and supply of portable, rapid deployment and static, advanced x-ray security screening systems to governments, security organisations and law enforcement agencies and of high-quality image acquisition systems for non-destructive testing to commercial organisations worldwide.

Highlights

Key points

- Annual order intake up 32% to £3.3 million (2012: £2.5 million)
- Underlying gross margin, excluding exceptional nuclear costs, at 43%
- Restructuring of the business to reduce overall break-even point
- Second half profit of £92,000 compared to interim loss of £389,000

Post year-end events

- Cumulative orders deliverable in H1 2014 of £1.4 million
- Current cash balance of £428,000
- Shipment of significant multiple unit contract to the Middle East
- Appointment of an x-ray security sector professional as a consultant to advise on product and market positioning

Chairman's statement

BRIAN S EMSLIE
CHAIRMAN

"The Board is pleased that having significantly reduced operating costs through restructuring of the Company, profitability was restored in the second half of the year."

Introduction
I am pleased to report on the preliminary results for Image Scan for the year ended 30 September 2013.

Order intake during 2013 totalled £3.3 million (FY12: £2.5 million), an increase of 32%. Capitalising on the investment into product development in 2012, orders received included a repeat sale of two further small vehicle inspection systems to an existing customer targeted at customs and border control in South East Asia; an order for two industrial inspection systems to a new multinational customer in a market where the Company has a niche expertise; and several multiple unit contracts for both the portable and the baggage screening products into Africa and the Middle East.

Prior to the first half of this financial year, the Company had effectively been operating at break even for the previous year and a half, so the interim loss of £390,000 in 2013 was clearly disappointing. However, profitability was restored again during the second half of the year with a profit of £93,000, resulting in an overall loss for the financial year ending 30 September 2013 of £297,000.

During the year, the difficulties associated with delivering the one-off nuclear contract resulted in excess costs to the business of £153,000. This contract has taken its toll on the business both financially and in terms of opportunity cost in tying up critical resources, which would otherwise have been used to support development of the core product range. In addition, the restructuring carried out by the Board during the first half, to reduce ongoing operating costs by 20%, incurred an exceptional charge of £25,000. It should be noted that, had it not been for these two exceptional costs, the net loss for this year would have been reduced to £119,000 compared to the 2012 profit after tax of £108,000.

The Board is pleased that having significantly reduced operating costs through restructuring of the Company, profitability was restored in the second half of the year. The Board closely monitors the cash position of the Company and is focusing on taking measures to enhance the sustainability and value of the business.

Business review
The Board continues to review the Company's operations with the primary goal of achieving a sustainable and more sales and marketing led organisation. The Company is increasing its product range though incremental development of existing product platforms to provide more opportunities for recurrent product sales volumes, as opposed to large one-off contracts. The intention is to reduce the occurrence of anomalies as experienced in the first half of the year.

Ignoring the exceptional costs incurred in the first half of 2013, the Company has effectively traded at break-even for the past two and a half years. Further growth in revenues will depend on the development or acquisition of new products and services. The Board believes that continuing to focus on incremental development will only provide incremental improvement and that a more fundamental approach is now required. The Board has recently appointed a senior x-ray security sector professional to act as a consultant to work with the Board and the management team. He will review our core capabilities, existing product range and strategy and will make recommendations as to what actions and investments need to take place for the Company to make a significant step change.

Despite the performance of the Company this year, the Board believes significant progress has been made notwithstanding the relatively limited cash position of the Company.

BSEmslie

Brian S Emslie
Chairman
10 December 2013

Chief Executive's report

LOUISE J GEORGE
CHIEF EXECUTIVE OFFICER

"New orders in the first half were £0.8 million compared to £2.5 million in the second half, giving annual order intake of £3.3 million (2012: £2.5 million), across the whole product range."

Financial results

Revenue in the year ended 30 September 2013 of £2.5 million (2012: £4.3 million) derived 70% from the security and 30% from the industrial sector. Performance across both core sectors was down mainly due to commencing the year with a much lower opening order book of £0.4 million (2012: £2.2 million) and a comparatively slow start to the year. New orders in the first half were £0.8 million compared to £2.5 million in the second half, giving annual order intake of £3.3 million (2012: £2.5 million) across the whole product range.

Security revenue was underpinned by growing sales of the portable x-ray inspection system, but fell overall by 41% due to a shortfall in sales of the vehicle inspection system. On the industrial side, the level of sales of standard industrial equipment remained the same, but there was no further revenue arising from the nuclear contract.

The gross margin of 37% (2012: 38%) was suppressed by the impact of the exceptional excess costs in the year of £153,000 against the nuclear contract. Without these the underlying margin would have been 43%, which is a fairer reflection of the Company's performance.

Overheads at £1.3 million (2012: £1.6 million) have dropped back in line with previous years following the significant additional investment into product development last year. Furthermore, in view of the repositioning of the Company away from one-off sales such as the nuclear contract and towards sales of standard equipment, the Company was restructured accordingly with an approximate 20% saving flowing through into the last quarter of the financial year. The one-off cost associated with the restructuring was £25,000.

The reported losses after taxation of £389,000 in the interims reflected the low level of the opening order book and new orders in the first half of the year. Whilst the intake of new orders in the second half was much stronger, the lead time for key components has meant that a significant proportion of these sales will now fall into the first half of 2014, resulting in a closing order book of £1.2 million (2012: £0.4 million). As a result, the profit in the second half of the year was £92,000, which leaves an overall loss for the year of £297,000 (2012: profit of £108,000). The loss per share was 0.39p (2012: profit per share 0.14p).

The year-end cash balance was £12,000 (2012: £74,000). The Group retains a £100,000 overdraft facility with the Royal Bank of Scotland. The cash at bank as of 10 December 2013 was £428,000.

Outlook

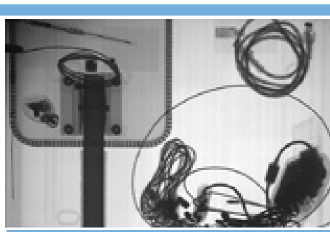
The Company continues to incrementally develop its product range and during 2014 is intending to introduce a new vehicle screening system and also to offer a number of combinations of different x-ray panels and generators to the portable screening market. Whilst industrial sales form a smaller part of the overall revenue, it is an area where the Company intends to invest in the necessary sales resource and product customisation to exploit the opportunities further, building on our expertise and traction in certain markets. The brought forward order book of £1.2 million and new orders of £0.2 million in the year to date give cumulative orders of £1.4 million deliverable in the first half of 2014.

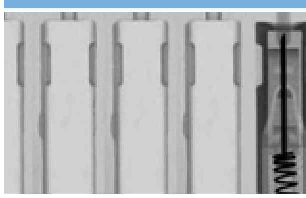
Staff

During the period under review the Company underwent a restructuring process with a view to ensuring that the Company had the right mix of skills relevant to the business going forward. The Company intends to adopt a performance related reward strategy with the introduction of a profit-based staff bonus scheme and the issue of share options to incentivise staff and to promote good staff retention.

The Board values greatly the considerable efforts made by our staff and I would like to take this opportunity to personally thank staff and shareholders for their continued commitment to the Company.

Louise J George
Chief Executive Officer
10 December 2013



Strategic report

LOUISE J GEORGE
CHIEF EXECUTIVE OFFICER

Business review
The principal activities of the group for the year under review have been the continuing development and commercialisation of advanced x-ray imaging technology in the field of security and industrial inspection. The results for the year ended 30 September 2013 show a loss of £296,655 (2012: profit of £107,985). The Group's strategy is to develop its portfolio of standard security products, whilst continuing to work within the industrial sector where it has key expertise, a proven track record and the probability of repeat business is high.

After a comparatively slow start to the year, new orders of £2.5 million were secured in the second half across the whole product range, giving a total of new orders in the year of £3.3 million (2012: £2.5 million). Of particular note were two repeat sales of the SVXi vehicle screening system to an existing customer and a number of multiple unit contracts for the FlatScan portable screening system.

Revenue for the year ended 30 September 2013 was £2.5 million (2012: £4.3 million), which did not reflect underlying performance. The receipt of a large one-off contract to the nuclear sector in 2011 and the timing of a substantial security contract immediately prior to the end of the 2011 financial year end provided 2012 with an opening order book of £2.2 million, which accounted for more than half of the revenue reported in 2012. By comparison, 2013 opened with an order book of £0.4 million and during the year secured new orders of £3.3 million (2012: £2.5 million), an increase of 32%. The lead time for key components has meant that a significant proportion of these sales fell into the first quarter of 2014, resulting in a closing order book of £1.2 million.

During the year the Board carried out restructuring to reflect the repositioning of the business towards standard product sales and to streamline operations. This had the effect of reducing ongoing overheads by 20%, the benefit of which flowed through in the last quarter of the year.

The year-end cash balance was £12,000 (2012: £74,000) and the Group maintains an overdraft facility of £100,000 with the Royal Bank of Scotland.

Key performance indicators
The key financial and non-financial performance indicators include:

	2013	2012	2011	2010
Order intake	**£3.3m**	£2.5m	£4.3m	£1.3m
Turnover	**£2.5m**	£4.3m	£2.2m	£1.5m
Gross margin	**37%**	38%	41%	55%
Trade creditor days	**69**	54	23	58
Average staff numbers	**20**	19	18	18

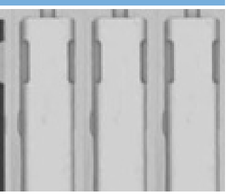
Principle risks and uncertainties
The Directors consider that the main business risks and uncertainties of the Group are:

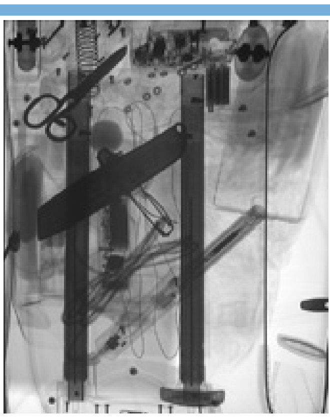
- how the loss of key personnel would affect the Group;
- its ability to develop and market its products successfully before existing products become obsolete or competitor products emerge; and
- ensuring sufficient working capital to support both ongoing production and product development.

The Group implements a performance related reward strategy for staff and manages the development of its products to ensure the Group retains its competitive advantage. The Directors regularly review the risks facing the Group and seek to exploit, avoid or mitigate those risks as appropriate.

Approved and signed by order of the Board

Louise J George
Chief Executive Officer
10 December 2013





Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2013.

Business activity, review of developments and future prospects
The principal activities of the Group have been the continuing development and commercialisation of x-ray imaging technology. The Group continues to be focused on the further development of the vehicle screening system product range and a new generation FlatScan-TPXi portable x-ray screening system. Further details can be found in the Chairman's Statement, the Chief Executive's report and the strategic report set out in pages 1 to 3. The Company acts as a holding company.

Dividends
The Directors are unable to recommend the payment of a dividend.

Directors
The Directors who served during the year were as follows:

- L J George
- V J Deery (appointed 1 January 2013)
- B S Emslie
- N D Fox
- I S S Johnson (resigned 20 June 2013)

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

	%	Ordinary shares of 1p each
Rise Step International Development Ltd	26.05	19,873,331
D Allenby	10.04	7,655,362
Calculus Capital	7.30	5,569,812
A P Stirling	4.94	3,770,826
Directors shareholdings:		
N D Fox	3.34	2,531,788
B S Emslie	0.39	300,000
L J George	0.19	148,000
V J Deery	0.01	8,077

Research and development
Research and development was mainly focused on developing further both the portable x-ray inspection system, FlatScan, and the industrial x-ray inspection system, MDXi. Costs in the year amounted to £162,349 (2012: £387,981).

Company number
03062983 (England and Wales)

Financial instruments
The Group's financial instruments during the year comprised trade debtors, bank 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 and opposite.

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

Foreign currency risk
The Group does not make sufficient sales and purchases in foreign currency to justify maintaining foreign currency bank accounts. Until such a time as the volume of foreign currency sales or purchases determine foreign currency exchange risk hedging necessary, transactions will be settled at spot rate.

Directors' statement of responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The Directors have acknowledged the latest guidance on going concern. The Directors regularly review the performance of the Company against forecasts to ensure that they are able to react on a timely basis to opportunities and issues as they arise. The Group plans to secure a number of sales contracts over the course of the coming year in order to fund the working capital requirements and achieve a profitable position in the future. After making appropriate enquiries and given the prudent level of net assets retained in the Group, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group will have 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.

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Wilkins Kennedy LLP will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board

L George

Louise J George
Chief Executive Officer
10 December 2013

Statement of corporate governance

The Company is quoted on AIM and is therefore not required to comply with the provisions of the Combined Code (the 'Code'). Nevertheless, by continual review, the Company ensures that proper standards of corporate governance are in operation and the principles of the Code are followed so far as is practicable and appropriate to the size and nature of the Company.

Set out below is a summary of how, at 30 September 2013, the Company was dealing with the key requirements of the Code.

The Board

The Board, which presently consists of two Executive and two Non-executive Directors, meets regularly throughout the year and receives timely information in a form and of a quality appropriate to enable it to discharge its duties.

The Board considers all its Non-executive Directors to be independent in character and judgement; however, none are technically independent as defined by the Code.

The posts of Chairman and Chief Executive Officer are held by separate individuals and the division of responsibilities is clearly defined and understood.

The Board considers the current Board structure appropriate for the Company.

There are processes in place enabling Directors to take independent advice at the Company's expense in the furtherance of their duties and to have access to the advice and services of the Company Secretary.

Board committees

The Audit Committee comprises Brian Emslie, who has recent and relevant financial experience, and Nick Fox. The Audit Committee met three times during the year, once with the audit partner and on two further occasions as part of the main Board.

The Remuneration Committee comprises Brian Emslie and Nick Fox. The Remuneration Committee met once during the year. The Committee is responsible for determining the contractual terms, remuneration and other benefits of the Executive Directors. The report of the Remuneration Committee is set out on page 7.

The Nominations Committee compromises Brian Emslie, Louise George and Nick Fox. The Nominations Committee met once during the year.

All three committees are currently under the chairmanship of Brian Emslie.

Internal controls and risk management

The Board is responsible for the Company's system of internal control, including financial, operational and compliance controls and risk management, and for reviewing its effectiveness. The Board has introduced procedures designed to meet the particular needs of the Company in managing the risks to which it is exposed. The Board is satisfied with the effectiveness of the internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed the need for an internal audit function. The Board has decided that, given the nature of the Company's business and assets and the overall size of the Company, the systems and procedures currently employed provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is in place. An internal audit function is therefore considered unnecessary.

Relations with shareholders

The Chairman makes himself available to major shareholders on request and periodically attends meetings with and gives presentations to shareholders. The Annual General Meeting is normally attended by all Directors, and shareholders are invited to ask questions during the meeting and to meet with Directors after the formal proceedings have ended.

Remuneration report

The Directors present the Directors remuneration report for the year ended 30 September 2013. This report has not been prepared in accordance with the Directors' report regulations because, as an AIM company, Image Scan Holdings plc does not fall within the scope of these regulations.

Remuneration policy
The Remuneration Committee has devised a remuneration policy to ensure that Executive Directors and staff are suitably motivated and appropriately rewarded in line with companies of a similar size and nature. The Board is responsible for setting the remuneration of the Non-executive Directors, which comprises fees for their services in connection with Board and Board Committee meetings. The Non-executive Directors are not eligible to join the Company's pension scheme but may be awarded shares under the Company's Unapproved Share Option Scheme.

The shareholders will be given the opportunity to question the Chairman, Brian Emslie, on any aspect of the Company's remuneration policy and to vote on the remuneration report at the Annual General Meeting.

Base salary and benefits
Base salaries for the Executive Directors are reviewed annually by the Remuneration Committee. At the present stage of development with modest levels of turnover, the salaries paid to Executive Directors reflect the lower end of the salary scale compared to other public companies in similar situations. Salary increases based on performance will only be made when the Company's profitability allows.

In addition to the base salary, the full time Executive Directors, Louise George and Vince Deery, were also entitled to the following benefits: 30 days holiday per annum, cash allowance in lieu of a company car, private medical cover and life assurance based on four times basic annual salary.

Directors' pension policy
Full-time Executive Directors are entitled to join the Company's defined contribution pension scheme, to which the Company contributes the equivalent of 10% of their basic gross salary.

Service contracts
Directors have rolling service contracts, which are governed by the following policies, and will also be applied to any future board appointment:

- The notice period required by either the Company or an Executive Director to terminate their contract is six months;
- The notice period required by either the Company or a Non-executive Director to terminate their contract is three months; and
- In the event of termination for unsatisfactory performance (if necessary decided by an independent tribunal) or for any reasons of misconduct, no compensation is payable.

Directors emoluments
Information about Directors' emoluments is as follows:

					Total emoluments	
Directors	Basic salary £	Fees £	Benefits £	Pension contributions £	**2013 £**	2012 £
Executive						
N D Fox[1]	52,713	–	535	3,774	**57,022**	83,810
L J George	81,875	–	832	7,309	**90,016**	88,986
V J Deery[2]	56,625	–	560	5,075	**62,260**	–
Non-executive						
B S Emslie	–	20,000	–	–	**20,000**	20,000
I S S Johnson	–	14,583	–	–	**14,583**	11,250
N D Fox[1]	–	4,500	–	–	**4,500**	–
Total 2013	**191,213**	**39,083**	**1,927**	**16,158**	**248,381**	**204,046**
Total 2012	157,000	31,250	1,696	14,100	204,046	

1 Changed from Executive to Non-executive Director as of 11 June 2013

2 Appointed Executive Director on 1 January 2013

Remuneration report continued

Share option schemes

The Remuneration Committee is responsible for awarding options over ordinary shares to Executive Directors and key personnel under the Company's Enterprise Management Incentive Share Option (EMI) scheme and to Non-executive Directors under the Unapproved scheme. These schemes potentially offer long-term incentives to Directors and key personnel.

The Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of Directors and staff.

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

Holder	Image Scan share option scheme	Number	Exercise price	Date of grant	Vesting period	Expire
L J George	Enterprise Management Incentive	80,000	15p	30/09/2005	3 years	30/09/2015
	Enterprise Management Incentive	100,000	18.25p	02/10/2006	3 years	02/10/2016
	Enterprise Management Incentive	750,000	15p	28/01/2008	5 years	30/11/2017
	Enterprise Management Incentive	150,000	4p	01/03/2010	3 years	01/03/2020
V J Deery	Enterprise Management Incentive	300,000	4p	01/03/2010	3 years	01/03/2020
B S Emslie	Unapproved	500,000	4p	01/03/2010	3 years	01/03/2020

Share price performance

The highest and lowest share prices during the year were 4.88p and 1.50p per share respectively. The closing mid-market price was 2.00p per share.

On behalf of the Board

Brian S Emslie
Chairman
10 December 2013

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 2013 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted for use in the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at **www.frc.org.uk/apb/scope/private.cfm**

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Daniel Graves (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy LLP, Statutory Auditor and Chartered Accountants
Bridge House, London Bridge, London SE1 9QR
10 December 2013

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	**2013 £**	2012 £
Continuing operations			
Revenue	3	**2,537,786**	4,301,983
Cost of sales		**(1,586,820)**	(2,647,129)
Gross profit		**950,966**	1,654,854
Administrative expenses		**(1,292,856)**	(1,624,063)
Operating (loss)/profit	4	**(341,890)**	30,791
Finance income		**80**	880
(Loss)/profit before taxation		**(341,810)**	31,671
Taxation	6	**45,155**	76,314
Loss and total comprehensive income for the year from continuing operations to the equity owners of the parent company		**(296,655)**	107,985

		Pence	Pence
Earnings per share	7		
Basic and diluted (loss)/profit per share		**(0.39)**	0.14

There are no recognised gains or losses other than the profit for the year and loss for the prior year.

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

Consolidated statement of financial position

AS AT 30 SEPTEMBER 2013

	Note	**2013** **£**	2012 £
Non-current assets			
Property, plant and equipment	8	**21,987**	39,234
		21,987	39,234
Current assets			
Inventories	10	**458,898**	412,950
Trade and other receivables	11	**1,119,944**	1,121,490
Cash and cash equivalents	12	**11,573**	73,782
Current tax asset		**36,064**	75,385
		1,626,479	1,683,607
Total assets		**1,648,466**	1,722,841
Current liabilities			
Trade and other payables	13	**927,795**	699,962
Warranty provision	14	**43,151**	46,140
		970,946	746,102
Net assets		**677,520**	976,739
Equity			
Share capital	16	**762,679**	762,679
Share premium account		**7,501,105**	7,501,105
Retained earnings		**(7,586,264)**	(7,287,045)
Total equity attributable to shareholders		**677,520**	976,739

These financial statements were approved by the Board of Directors on 10 December 2013.

Signed on behalf of the Board of Directors

Louise J George
Chief Executive Officer

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

Company statement of financial position

AS AT 30 SEPTEMBER 2013

	Note	2013 £	2012 £
Non-current assets			
Investments in group undertakings	9	**1**	1
Current assets			
Trade and other receivables	11	**725,441**	989,076
Cash and cash equivalents	12	**4,904**	6,058
		730,345	995,134
Total assets		**730,346**	995,135
Current liabilities			
Trade and other payables	13	**52,826**	18,396
Net assets		**677,520**	976,739
Equity			
Share capital	16	**762,679**	762,679
Share premium account		**7,501,105**	7,501,105
Retained earnings		**(7,586,264)**	(7,287,045)
Total equity		**677,520**	976,739

These financial statements were approved by the Board of Directors on 10 December 2013.

Signed on behalf of the Board of Directors

Louise J George
Chief Executive Officer

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

Statements of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Group	Share capital £	Share premium £	Retained earnings £	Total £
As at 1 October 2011	762,679	7,501,105	(7,392,308)	871,476
Profit for the year	–	–	107,985	107,985
Share-based transactions	–	–	(2,722)	(2,722)
As at 30 September 2012	762,679	7,501,105	(7,287,045)	976,739
Loss for the year	–	–	(296,655)	(296,655)
Share-based transactions	–	–	(2,564)	(2,564)
As at 30 September 2013	**762,679**	**7,501,105**	**(7,586,264)**	**677,520**

Company	Share capital £	Share premium £	Retained earnings £	Total £
As at 1 October 2011	762,679	7,501,105	(7,356,339)	907,445
Profit for the year	–	–	72,016	72,016
Share-based transactions	–	–	(2,722)	(2,722)
As at 30 September 2012	762,679	7,501,105	(7,287,045)	976,739
Loss for the year	–	–	(296,655)	(296,655)
Share-based transaction	–	–	(2,564)	(2,564)
As at 30 September 2013	**762,679**	**7,501,105**	**(7,586,264)**	**677,520**

As permitted by Companies Act 2006, a separate income statement for the company has not been included. The loss for the financial year dealt with in the financial statements of the company was £296,655 (2012: profit of £72,016).

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

Consolidated cash flow statement

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Operating (loss)/profit		**(341,890)**	30,791
Adjustments for:			
Depreciation		**21,472**	33,435
Transfer of fixed assets to stock		**4,293**	–
Increase in inventories		**(45,948)**	(97,500)
(Decrease)/increase in trade and other receivables		**1,546**	(554,857)
Increase/(decrease) in trade and other payables		**224,252**	(282,727)
Share-based payments		**(2,564)**	(2,722)
Net cash used in operating activities		**(138,839)**	(873,580)
Corporation tax recovered		**85,068**	30,403
Net cash outflow from operating activities		**(53,771)**	(843,177)
Cash flows from investing activities			
Interest received		**80**	880
Purchase of property, plant and equipment	8	**(8,518)**	(29,122)
Net cash used in investing activities		**(8,438)**	(28,242)
Net decrease in cash and cash equivalents		**(62,209)**	(871,419)
Cash and cash equivalents at beginning of year		**73,782**	945,201
Cash and cash equivalents at end of year	12	**11,573**	73,782

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

Company cash flow statement

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Operating (loss)/profit		**(296,729)**	71,137
Adjustments for:			
(Increase)/decrease in trade and other receivables		**(118)**	2,603
Increase/(decrease) in trade and other payables		**34,430**	(1,047)
Share-based payments		**(2,564)**	(2,722)
Net cash used in/generated from operating activities		**(264,981)**	69,971
Cash flows from investing activities			
Interest received		**74**	879
Net cash from investing activities		**74**	879
Cash flows from financing activities			
Movement in intercompany balances		**263,753**	(986,960)
Net cash flow from financing activities		**263,753**	(986,960)
Net decrease in cash and cash equivalents		**(1,154)**	(916,110)
Cash and cash equivalents at beginning of year		**6,058**	922,168
Cash and cash equivalents at end of year	12	**4,904**	6,058

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

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. General information

Image Scan Holdings plc is a public limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the officers and professional advisers section. The nature of the Group's operations and its principal activities are set out in the strategic report, the Directors' report and in the segment reporting note in the financial statements.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with IFRS and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Going concern

The Directors believe that the Company will have sufficient resources to continue in operational existence for the foreseeable future and that no adjustment is required to the carrying value of assets reported. Therefore they have prepared the financial statements on a going-concern basis.

New standards and interpretations

At the date of approval of these financial statements, the following standards and interpretations, endorsed by the European Union, which have not been applied were in issue but not yet effective:

- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective from 1 January 2014)
- Amendments to IAS 36 Impairment of Assets – Amendments arising from Recoverable Amount (effective from 1 January 2014)
- IFRS 10 Consolidated Financial Statements*
- IFRS 11 Joint Arrangements*
- IFRS 12 Disclosure of Interests in Other Entities*
- IFRS 13 Fair Value Measurement (effective from 1 January 2013)
- IAS 27 Separate Financial Statements*
- IAS 28 Investments in Associates and Joint Ventures*

* Effective from 1 January 2013 but EU entities may apply these standards and amendments at the latest from the commencement date of their first financial year starting on or after 1 January 2014.

Some of these standards and amendments have only recently been endorsed by the EU. The company intends to adopt these standards when they become effective.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to 30 September each year. 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.

Leases

All leases held by the Company are classified as operating leases. Rentals payable under operating leases and other similar rentals are charged to income on a straight-line basis over the term of the relevant lease.

Long-term contracts

Where the outcome of a long-term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date compared to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. Where it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged to the income statement on a straight line basis over the expected useful life of each asset as follows:

Computer equipment	– three years
Demonstration equipment	– three years
Plant & office equipment	– three years

Additional depreciation is provided, where appropriate, to reduce the carrying value of property, plant and equipment to their value to the business. Assets under construction are not depreciated until brought into use.

2. Significant accounting policies continued

Pension costs
The Group operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are charged against profits as they arise.

Deferred taxation
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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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.

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

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.

Patent costs
Expenditure on patents in respect of the multi-view x-ray imaging technology is capitalised and treated as an intangible fixed asset. Patents are amortised on a straight-line basis over their remaining life.

Following an impairment review in September 2007, it was decided to write down the carrying value of the patent to nil as no significant sales that use that patent are anticipated in the near future.

Foreign currencies
Assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are accounted for in arriving at the operating result.

Share-based payments
In accordance with the transitional provisions, IFRS 2 has been applied to all grants of share options after 7 November 2002 that had not vested as at 1 October 2005.

The Company issues equity settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The level of vesting is reviewed annually, and the charge is adjusted to reflect actual and estimated levels of vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the services received is measured based on the Black-Scholes option pricing model. This model takes into account the following variables: exercise price, share price at date of grant, expected term, expected share price volatility, risk-free interest rate and expected dividend yield. Expected volatility is estimated by considering historic average share price volatility.

Accounting judgements and key sources of estimation uncertainty
As stated above, the preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Allowance for doubtful debts
The Company makes provision for debts, including intercompany debts, that the management estimate may become impaired. The Company makes assessments on the recoverability of all its accounts based on external factors such as the creditworthiness of the customer, market conditions and the age of the receivables. An assessment is also made for any debtors due from trading subsidiaries to ascertain any probable impairment of intercompany debtors.

Inventories
The Company continually evaluates holding of inventories to ensure that it is carried at the lower of cost and net realisable value. Obsolescence is considered by comparing future sales and usage with current levels of inventory holding.

Warranty provision
A warranty provision is recognised in respect of labour and material costs estimated to be arising on product sales during the last financial year. It is expected that most of these costs will be incurred in the next financial year.

Long-term contracts
Where long term contracts fall into two financial years, a proportion of the revenue and profit arising on the contract is recognised based on contract progress at the year end and anticipated costs to completion.

Notes to the financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2013

3. Revenue

Revenue, which excludes value added tax and intra-group trading, represents the value, net of discount, of goods sold and services provided. Revenue is recognised at the point of despatch to the customer. Where stage payments are made, revenue is recognised at the point when all conditions of the contract are met. The Group has only one business segment, being the continuing development of advanced x-ray imaging techniques with applications in the security and industrial sectors. All revenue is derived from operations in the United Kingdom and is analysed as follows:

	2013			2012		
	Security £	Industrial £	Total £	Security £	Industrial £	Total £
Group revenue by destination and sector						
UK	18,963	278,718	297,681	207,932	920,104	1,128,036
Europe, Middle East & Africa	1,020,589	325,280	1,345,869	2,085,945	24,652	2,110,597
Asia	624,677	39,535	664,212	639,760	291,127	930,887
Americas	88,963	141,061	230,024	20,668	111,795	132,463
	1,753,192	784,594	2,537,786	2,954,305	1,347,678	4,301,983
Gross profit by sector	629,827	321,139	950,966	1,045,824	609,030	1,654,854

4. Operating (loss)/profit

	2013 £	2012 £
Operating (loss)/profit is stated after charging/(crediting):		
Depreciation – owned assets	21,472	33,436
Research and development costs	162,349	387,981
Operating leases	39,314	41,698
Auditors' remuneration		
Audit – Subsidiary	14,150	13,750
Audit – Company	3,750	3,750
Other services	4,485	3,966
Cost of inventories recognised as an expense (included in cost of sales)	1,256,973	2,252,240
Exchange rate (loss)/gain	(20,522)	12,520
Exceptional cost on nuclear contract	153,000	–
Exceptional reorganisation costs	25,000	–

5. Information regarding directors and employees

	2013 £	2012 £
Directors' emoluments		
Management remuneration	193,139	158,696
Fees as directors	39,083	31,250
Pension contributions	16,157	14,100
	248,379	204,046

	Number	Number
Number of directors accruing benefits under:		
Defined contribution pension scheme	2	2

	£	£
The amounts paid in respect of the highest paid director are as follows:		
Emoluments	82,707	81,736
Pension contributions	7,309	7,250
	90,016	88,986

5. Information regarding directors and employees continued

	2013 Number	2012 Number
Average number of persons employed (including Directors)		
Accounts and administration	**3**	3
Technical	**12**	12
Directors	**5**	4
	20	19

	2013 £	2012 £
Staff costs during the year (including Directors)		
Wages and salaries	**869,899**	816,447
Social security costs	**93,681**	89,789
Pension costs	**27,932**	29,305
Share-based payments (option scheme)	**(2,564)**	(2,722)
	988,948	932,819

Ian Johnson Associates Limited, a company in which Ian Johnson has a material interest and of which he is a director, provided consultancy services amounting to £1,311 (2012: £1,425), I-see Associates Ltd, a company in which Brian Emslie has a material interest and of which he is a director, provided consultancy services amounting to £1,148 (2012: £1,342) and Axi-Tek Ltd, a company in which Nick Fox has a material interest and of which he is a director, provided consultancy services amounting to £2,874 (2012: £nil). An amount of £194 (2012: £312) due to Ian Johnson Associates Limited, an amount of £387 (2012: £nil) due to I-see Associates Ltd and an amount of £1,020 (2012: £nil) due to Axi-Tek Ltd are included in trade payables at the year end. Directors remuneration is detailed within the remuneration report set out on pages 7 to 9.

6. Tax on results on ordinary activities

a) Analysis of credit in the year

	2013 £	2012 £
Current tax		
UK corporation tax at 20% (2012: 20%) based on the result for the year (note 6b)	**35,472**	75,385
Underprovision in prior year	**9,683**	929
Total current tax credit	**45,155**	76,314
Deferred tax	**–**	–
Tax credit	**45,155**	76,314

The reasons for the difference between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to results for the year are as follows:

b) Reconciliation of tax credit

	2013 £	2012 £
(Loss)/profit on ordinary activities before tax	**(341,810)**	31,671
Tax on (loss)/profit on ordinary activities at standard rate	**(68,362)**	6,334
Being the effects of:		
Permanent differences	**(375)**	26
Accelerated capital allowances	**(2,771)**	(5,314)
Current year result carried forward/(used)	**42,241**	(75,693)
Loss surrendered to HM Revenue & Customs in exchange for R&D tax relief	**29,267**	74,647
Underprovision in prior year	**(9,683)**	(929)
Tax credit receivable from HM Revenue & Customs	**(35,472)**	(75,385)
Actual tax credit for the year (note 6a)	**(45,155)**	(76,314)

Notes to the financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2013

7. Earnings per share

	2013 **£**	2012 £
(Loss)/profit for the year	**(296,655)**	107,985
Weighted average number of ordinary shares in issue	**76,267,932**	76,267,932
Basic and diluted (loss)/profit per share	**(0.39p)**	0.14p

IAS 33 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. Earnings or loss per share would not be affected by the exercise of out-of-the-money options since it is inappropriate to assume that option holders would act irrationally. Accordingly, as there are no other diluting future share issues, diluted EPS equals basic EPS.

8. Property, plant and equipment

Group	Computer equipment £	Demonstration equipment £	Plant & equipment £	Total £
Cost				
At 1 October 2011	57,398	147,638	101,341	306,377
Additions	11,239	13,309	4,574	29,122
Disposals	(1,899)	(71,594)	(12,285)	(85,778)
At 30 September 2012	66,738	89,353	93,630	249,721
Additions	453	5,270	2,795	8,518
Disposals	(2,180)	(8,133)	–	(10,313)
At 30 September 2013	**65,011**	**86,490**	**96,425**	**247,926**
Depreciation				
At 1 October 2011	42,749	137,297	82,783	262,829
Provided during the year	9,234	6,716	17,486	33,436
Disposals	(1,899)	(71,594)	(12,285)	(85,778)
At 30 September 2012	50,084	72,419	87,984	210,487
Provided during the year	9,635	7,504	4,333	21,472
Disposals	(2,180)	(3,840)	–	(6,020)
At 30 September 2013	**57,539**	**76,083**	**92,317**	**225,939**
Net book value				
At 30 September 2013	**7,472**	**10,407**	**4,108**	**21,987**
At 30 September 2012	16,654	16,934	5,646	39,234

9. Investments

Subsidiary undertakings – Company

	£
Cost and net book value	
At 1 October 2012	1
Impairment and provision during year	–
At 30 September 2013	**1**

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 **2013** **£**	Investment shares at cost 2012 £
Stereo Scan Systems Ltd	Development of advanced imaging technology	England	100%	**51,000**	51,000
3DX-Ray Ltd	Exploitation of advanced imaging technology	England	100%	**1**	1

10. Inventories

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Raw materials	**240,878**	220,989	**–**	–
Work in progress	**85,367**	107,444	**–**	–
Finished goods	**132,653**	84,517	**–**	–
	458,898	412,950	**–**	–

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

11. Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade receivables	**696,565**	745,800	**–**	–
Other receivables and prepayments	**388,144**	251,453	**–**	–
VAT recoverable	**35,235**	124,237	**2,234**	2,116
Amounts due from subsidiary undertakings	**–**	–	**723,207**	986,960
	1,119,944	1,121,490	**725,441**	989,076

The above receivables are expected to be recovered within twelve months.

12. Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Cash and cash equivalents	**11,573**	73,782	**4,904**	6,058

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value. Cash at bank earns interest at floating rates based on daily bank deposit rates.

13. Trade and other payables

Amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade payables	**364,469**	503,893	**33,326**	396
Deferred income	**336,486**	119,703	**–**	–
Other tax and social security	**102,337**	27,245	**–**	–
Accruals	**124,503**	49,121	**19,500**	18,000
	927,795	699,962	**52,826**	18,396

At 30 September 2013 accruals included pension contributions amounting to £6,416 (2012: £3,409).

14. Provisions for liabilities and charges

Deferred tax

	2013	2012
	Group	Group
	£	£
At 1 October 2012 and 30 September 2013	**–**	–

Notes to the financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2013

14. Provisions for liabilities and charges continued

The amounts of deferred tax provided and not provided in the financial statements are as follows:

Group

	Provided 2013 £	**Not provided 2013 £**	Provided 2012 £	Not provided 2012 £
Accelerated capital allowances	**–**	**(38,204)**	–	(42,398)
Losses	**–**	**(1,201,281)**	–	(1,302,802)
	–	**(1,239,485)**	–	(1,345,200)

The deferred tax asset is recoverable against profits generated in the Group in the future. No allowance has been made for the deferred tax asset as recoverability in the near future is uncertain. The Company's tax losses not provided amount to £400 (2012: £400).

Group warranty provision

	£
At 1 October 2012	46,140
Utilised during the year	(2,989)
At 30 September 2013	**43,151**

A warranty provision is recognised in respect of labour and material costs estimated to be arising on product sales during the last financial year. It is expected that most of these costs will be incurred in the next financial year.

15. Commitments

At 30 September 2013 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Land and buildings

	2013 £	2012 £
Within one year	**36,000**	36,000
Between one and three years	**36,000**	72,000
	72,000	108,000

16. Share capital

	2013 £	2012 £
Authorised		
100,000,000 ordinary shares of 1p each	**1,000,000**	1,000,000
Called up, allotted and fully paid		
76,267,932 ordinary shares of 1p each	**762,679**	762,679

Of the options in place as at 30 September 2012, the following options are still outstanding:

Image Scan Share Option Scheme	Date of issue	Quantity	Exercise Price	Vesting Period	Expiry Date
Enterprise Management Incentive	30/09/2005	124,000	15p	3 years	30/09/2015
Enterprise Management Incentive	02/10/2006	160,000	18.25p	3 years	02/10/2016
Enterprise Management Incentive	23/11/2007	20,000	10p	3 years	23/11/2017
Enterprise Management Incentive	01/03/2010	750,000	15p	5 years	30/11/2017
Enterprise Management Incentive	01/03/2010	710,000	4p	3 years	01/03/2020
Unapproved Scheme	28/01/2008	500,000	4p	3 years	01/03/2020

Options have been valued using the following inputs to the Black-Scholes model:

Expected volatility (based on closing prices in the year prior to issue)	50%
Expected life	3.5 years
Risk-free rate	4.3%
Expected dividends	Zero

The group recognised the following expenses relating to equity settled share-based transactions:

	2013 £	2012 £
Employee benefits (note 5)	**(2,564)**	(2,722)

17. Transactions with related parties

During the year Image Scan Holdings plc provided management services to the value of £140,000 to its subsidiary company 3DX-Ray Limited (2012: £418,000).

At the year end the company was owed the following amounts by subsidiary companies against which a bad debt provision of £7,547,954 (2012: £7,239,436) is held:

	2013	2012
	£	£
3DX-Ray Ltd	**7,383,943**	7,339,179
Stereo Scan Systems Ltd	**887,217**	887,217

The bad debt charged against 3DX-RAY Ltd's debtor balance during the period is £308,518 (2012: £231,965).

Other transactions with related parties are disclosed in note 5.

18. Financial instruments

The disclosures required 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 under the heading 'Financial Instruments'. Short-term trade and other receivables and trade and other payables are excluded from all disclosures other than the currency profile. There are no non-equity shares.

The Group had undrawn committed borrowing facilities at 30 September 2013 of £100,000 (2012: £100,000).

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

Fair values of gross financial assets (cash and short-term investments) are considered to be the same as book values at both 30 September 2013 and 30 September 2012.

Currency profile

At 30 September 2013 amounts payable included US$1,547, EUR 2,225, Swiss Francs 97,369 and South African Rand 47,640 (2012: US$7,302, EUR 3,599, Swiss Francs 121,145 and South African Rand 6,080). All other financial assets and liabilities are denominated in Sterling.

At 30 September 2013 amounts receivable included US$nil (2012: US$ 6,615).

Capital management

The Company's policy is to maintain a strong capital base in order to safeguard the future development of the business. The Company finances its operations through retained earnings, share capital and the management of working capital.

Notice and agenda of annual general meeting

Notice is hereby given that the Annual General Meeting of the shareholders will be held at 2.00pm on 3 March 2014 at the offices of Cantor Fiztgerald, One Churchill Place, Canary Wharf, London EC14 5RD for the purpose of considering and, if thought fit, passing the following resolutions as to Resolutions 1–6 as Ordinary Resolutions and as to Resolution 7 as a Special Resolution.

Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 30 September 2013 together with the reports of the Directors and auditors thereon.
2. To re-elect as a Director V J Deery who retires in accordance with the Company's Articles of Association and offers himself for re-election.
3. To re-elect as a Director L J George who retires by rotation and offers herself for re-election.
4. To receive and adopt the remuneration report contained within the annual report for the year ended 30 September 2013.
5. To re-appoint Wilkins Kennedy LLP as auditors and to authorise the Directors to fix their remuneration.
6. That in accordance with Section 551 of the Companies Act 2006 (the 'Act') the Directors be hereby generally and unconditionally authorised to allot new ordinary shares or grant rights to subscribe for or to convert any securities into new ordinary shares ('Rights') up to an aggregate nominal amount of £76,267 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (whichever is earlier) save that the Directors may, before the expiry of such period, make an offer or agreement which would or might require new ordinary shares to be allotted or Rights to be granted after the expiry of such period, and the Directors of the Company may allot new ordinary shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolution

7. That subject to, and conditional upon, the passing of Resolution 6 above, the directors be and are generally empowered (in substitution for all subsisting authorities to the extent unused) in accordance with section 570 of the Act to allot equity securities (within the meaning of Section 560 of the Act) pursuant to the authority conferred upon them by resolution 5 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

7.1 in connection with an offer of such securities by way of a Rights Issue; and

7.2 otherwise than pursuant to Resolution 6.1 above, up to an aggregate nominal amount of £76,267.

And (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (whichever is earlier) save that the Directors may, before the expiry of such period, make an offer or agreement which would or might require new ordinary shares to be allotted or Rights to be granted after the expiry of such period, and the Directors of the Company may allot new ordinary shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this Resolution has expired.

In this Resolution 7, 'Rights Issue' means an offer of equity securities open for acceptance for a period fixed by the Directors to shareholders on the register of the Company on a fixed record date in proportion as nearly as may be to their respective holdings, but subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient to deal with any fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body or any stock exchange, in any territory.

By order of the Board

L George

Louise J George
Company Secretary

Registered Office:
16–18 Hayhill, Sileby Road
Barrow-upon-Soar
Leicestershire LE12 8LD

Notes:

1. Due to security arrangements in accessing the venue, please arrive at the building at least 15 minutes prior to the start of the meeting.
2. 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.
3. 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.
4. A form of proxy is available on the Company's website, **www.ish.co.uk**, or by request from the Company Secretary and to be valid must be completed and returned so as to reach the Registrar of the Company, Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen B6 3DA, 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 48 hours before the time fixed for holding the meeting or any adjournment thereof.
5. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, members who hold shares in uncertificated form must be entered on the Company's register of members at 2.00pm on 1 March 2014 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
6. Copies of the Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours.

Officers and professional advisers

Brian Simpson Emslie BMet (Hons)
Non-executive Chairman
Brian Emslie acts in an advisory or Non-executive Director capacity for a number of high-tech companies, providing input on strategic review and business development. He spent 30 years working for BOC Group plc, his last role being Business Development Director of BOC Edwards. Brian has key strengths in strategic planning, analysis of customer and markets needs, contract negotiations and communications. His main responsibility is providing the lead in the sales and marketing strategy. Brian is the chairman of the Audit, Remuneration and Nominations Committees.

Louise Joan George BSc, FCA, ACIS
Chief Executive Officer
Louise George is a Chartered Accountant and Chartered Secretary. She qualified with Ernst & Young in 1991 and has considerable experience of retail and technology companies. Louise joined Image Scan Holdings plc in 2002 as Financial Controller and Company Secretary and was subsequently appointed Finance Director in 2005 and as Chief Executive Officer in 2008. The Group finance and accounting functions remain under her direction. Louise is a member of the Nominations Committee.

Vincent James Deery (Appointed 1 January 2013)
Sales and Marketing Director
Vincent Deery is an experienced sales professional whose early career and comprehensive sales management training was undertaken at the General Electric Company. After attaining an Honours Degree in Manufacturing Engineering, Vincent has subsequently followed a successful career path in sales and business development in a wide range of high technology sectors include power control, oil and petrochemical, and metrology. After gaining extensive experience in developing global networks and distribution channels with his previous employers, Vincent joined 3DX-Ray Limited in 2008 where he has held the position of Sales and Marketing Director.

Nick Darryl Fox BSc, MSc, CEng, MIEE
Non-Executive Director
Nick Fox is an experienced manager of innovation, with over 25 years' experience in supplying technical and commercial solutions to the manufacturing, process control and instrumentation industries. Nick set up the Company in 1996 to exploit the stereoscopic 3D imaging technology developed by The Nottingham Trent University. He carried out the function of Chief Executive Officer until December 2008, at which point he stepped into the role of Chief Technical Officer, providing the technical and business development lead throughout the Company. Nick holds a BSc in Electronics and Material Engineering and an MSc in Information and Instrumentation Engineering.

Directors
Brian S Emslie
Non-executive Chairman

Louise J George BSc, FCA, ACIS
Chief Executive Officer

Vince J Deery B.Eng
Sales and Marketing Director

Nicholas D Fox MSc
Non-executive Director

Company Secretary
Louise J George BSc, FCA, ACIS

Registered office
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Company number
03062983

Nominated adviser and stockbroker
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London EC14 5RD

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

Solicitors
Browne Jacobson
44 Castle Gate
Nottingham NG1 7BJ

Registrars
Neville Registrars Ltd
Neville House
18 Laurel Lane
Halesowen B63 3DA

Auditors
Wilkins Kennedy LLP
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London SE1 9QR

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