Company Registration No. 03062983
England and Wales

IMAGE SCAN HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
30 September 2020

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HIGHLIGHTS

> After a strong first half, COVID-19 caused a slow-down in order intake. However, the Group continued to operate through the pandemic, achieving a profitable year and launching an important new product.

OPERATIONAL HEADLINES

- Sales of portable X-ray systems doubled
- A new cabinet X-ray system was launched
- A partnership agreement was signed with a major security technology company
- Strong cash flow due to excellent working capital management

FINANCIAL HEADLINES

- Sales increased 50% to £3.5m (2019: £2.4m)
- Pre-tax trading profit of £113k (2019: Loss of £402k)
- Aftersales revenues increased by 50%
- Strong cash generation, yielding a year-end balance of £1.4m (2019: £640k)

BUSINESS ACTIVITY

The core activity of the Group is the manufacture of portable X-ray systems for security and counter terrorism applications. Our primary end users are bomb technicians, usually in police and military response teams. These systems are often the first devices on the scene of a potential terrorist incident and are consequently designed to be rugged and reliable. Image Scan has been a strong player in the market for many years. The first of the current range of products was launched in 2015 and the range has been continuously extended and enhanced since then. The Group recently launched a cabinet X-ray machine and is replacing its Axis range of checkpoint X-ray systems with new machines developed with a partner. All these products are taken to market across the world through a strong network of international partners.

In addition, over the last fourteen years, Image Scan has developed and manufactured industrial X-ray inspection systems, the MDXi range. The primary market for these systems is in automotive emissions control where they are used for quality control inspection of catalytic converters and diesel particulate filters. The Group has an installed base of many such machines, most of which are under long term service contracts which provide valuable recurring revenue.

BUSINESS MODEL

As indicated above, the Group business model is focussed on the development, manufacture, sale and support of X-ray inspections systems for security and industrial applications. Most of the Group's business in both applications is transacted on cash neutral trading terms. Sources of growth include the addition of new revenue streams through acquisition and internal development, the extension of the Group's reach into new applications and new geographies and the growth of aftermarket revenues.

OFFICERS AND PROFESSIONAL ADVISERS

Directors

William Mawer
Chairman and Chief Executive Officer

Vincent Deery
Sales and Marketing Director

Sarah Atwell King
Financial Director

Richard Leaver
Non-Executive Director

Timothy Jackson
Non-Executive Director

Company Secretary

Sarah Atwell King

Registered Office

16-18 Hayhill Industrial Estate
Sileby Road
Barrow-upon-Soar
Leicestershire LE12 8LD

Company Number

03062983

Nominated Adviser & Broker

WH Ireland Limited
24 Martin Lane
London EC4R 0DR

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

BDO LLP
Statutory Auditor
Chartered Accountants
Regent House
Clinton Avenue
Nottingham NG5 1AZ

CHAIRMAN'S STATEMENT

Despite the impact of the COVID-19 pandemic in the second half of the year, the Group has made a profit, generated cash, and launched a new X-ray screening system, significantly strengthening its product range.

Overview

I am pleased to announce that the Group is reporting a profit after tax for its year ended 30 September 2020 of £137k compared with a loss last year of £367k. This result reflects a strong first half, building on a large portable X-ray order won at the end of the previous year, and a lower level of activity in the second half as COVID-19 led to a slowdown in new business. However, the Group has continued to receive orders, run its manufacturing site, and supported its customers throughout the pandemic. Additionally, careful management of costs and stock made the business strongly cash generative. Product development activity continued at near normal levels and led to the launch of a new cabinet X-ray system, while a partnership agreed with a security technology company will lead to further product launches.

Our Strategy

The Group's short-term strategy is to pursue organic growth through expansion of the product range, selling these products in a wider range of market segments and filling in gaps in its geographic reach. The Group seeks to play in profitable niche security segments for which it can create highly differentiated products that it can take to market at good margins. The Group recognises that as a relatively small business it can only support a limited range of technologies and it is therefore creating an underlying toolkit as the core of a broad range of its products. The new Axis-CXi is a good example of this approach, using detectors and software from the portable X-ray range.

Where it is not cost-effective to entirely develop a product ourselves, we will look to partner with other companies, just as we have done in this year. This allows us to further expand the product range, while keeping our own R&D investment at affordable levels.

The Group's core security segment is the "bomb squad" market to whom it sells its portable X-ray systems. We will continue to invest in this sector, broadening and strengthening our offer to customers. The new cabinet X-ray system and planned conveyor X-ray systems create new opportunities in building security, mail screening, prisons and sports stadia. X-ray equipment in these markets must, by law, be serviced regularly allowing the Group to increase its recurring service and support revenue as new systems are deployed.

In industrial screening, we will look for customer investment to enhance the MDXi product range and recently won a contract to develop sophisticated new measurement methods for inspection of catalytic converters. We will continue to look for new customers in this sector, while selectively investigating opportunities in the broader industrial X-ray market.

The Board's longer-term ambition to increase the critical mass of the business through carefully selected acquisitions remains. However, we recognise that the opportunities will be limited by the current low share price and market capitalisation.

Staff

Our staff have worked exceptionally hard to maintain the performance of the business through this difficult period and the Board is grateful for their efforts.

CHAIRMAN'S STATEMENT (CONTINUED)

COVID-19 And The Outlook For Image Scan

The COVID-19 pandemic has impacted the Group's customers, its supply chain and its staff. However, the Group created a COVID-secure working environment at its facility and continued manufacturing operations onsite. R&D has continued, with staff working both onsite and from home, and sales and administrative staff have mainly worked from home. Provided our staff remain healthy, this method of operation will continue for as long as Government guidance recommends it.

As our international government customers have tended to focus effort and budget on healthcare, some larger government procurements of security systems have been delayed. Nevertheless, we have continued to receive a steady stream of smaller orders and are optimistic that this will continue. By continuing to invest in the portable X-ray product range we expect to be well positioned when procurement returns to a more normal level. We aim to make the first sales of our new cabinet X-ray systems in the current financial period and expect growth beyond that. Accessing broader groups of customers with this and other new products will add new revenue streams that make us less dependent on the highly competitive portable X-ray market.

It is hard to anticipate when spending on security systems might return to more normal levels, but we are confident that our expanded product range and wide market access puts us in a good position to benefit when that happens.

The Group's industrial sales in FY2020 were consistent with previous years, but the wider automotive sector, which includes our industrial customers, has been severely hit by the pandemic, as sales across that sector are estimated to be 20% down in 2020 (Source IHS Markit). Our customers are reducing activity in key plants and we expect a low level of new system acquisitions over the next 12 months. It is anticipated that recovery in the car market will be strongest in China, where growth was particularly impressive before the pandemic, and we would expect to benefit as manufacturing capacity is further increased there.

The impact of Brexit on the business is hard to estimate with any accuracy but we have considered both direct and indirect effects. A relatively small part of our turnover comes from EU customers so, even if there is a tendency by those customers to procure from within the EU, the impact should be small. Our only significant EU supplier has already been replaced by an alternative source within the UK. The most likely indirect impact is a general slow-down of customs processes for incoming parts and outgoing finished goods, but we anticipate that this will be manageable. The Board reviews potential impacts of Brexit on the business every month.

In summary, we have entered the new financial year with continuing economic and political uncertainties. Without the benefit of exceptionally strong order book going into last year and the current delays in the placing of large orders, we therefore expect a challenging year ahead. However, our strong cash balance gives us confidence that we can weather these uncertainties and our expanded product range a wide market access means we are well-placed to benefit as and when activity levels return to more normal levels.

In the longer term, the Board continues to believe that a blend of organic and acquisition growth is the best way to deliver shareholder value, the greater scale will provide both protection from market shocks and stronger amortisation of the relatively high fixed costs associated with a stock market listing.

William Mawer
Chairman
3 December 2020

New Product: Cabinet X-ray

Our new AXIS-CXi cabinet X-ray system allies scanner technology from our portable X-ray detectors with a new generator and innovative design, to create a product unlike any other cabinet X-ray scanner. The use of dual energy technology found in airport scanners makes full colour materials discrimination available in this market for the first time.

Product in development: Conveyor X-ray

A partnership with a fellow security company gives us access to new conveyor X-ray technology. The first new product will use the striking design language developed for the Axis CXi to create a family of thoroughly modern scanners suitable for use in high tech and image conscious facilities worldwide.

STRATEGIC REPORT

A significant increase in sales of portable X-ray systems led to a profitable year while good progress was made with new product development

Business Review

The business started the year with a strong order book of £1.7m, which included a large order valued at over £800k for portable X-ray systems from a European government customer. That order was manufactured in the first quarter and delivered in the second quarter through our local partner. The production team was also kept busy by a succession of smaller portable X-ray orders from customers in a wide range of geographies, contributing to a strong and profitable first half. The rate of portable X-ray sales in the second half declined, but the figures for the full year were pleasing, showing a doubling of unit sales numbers over FY2019.

The sales process for portable X-ray systems typically include trade shows, customer demonstrations and live trials, often conducted with our overseas partners. COVID-19 has significantly impacted this activity, but our team has successfully migrated to online campaigning. This is a multi-platform effort, and includes the creation of new video material, the ability to conduct online demonstrations where the customer is able to control the equipment remotely, and our first attendance at an online security trade show. We are creating a permanent exhibition area in our facility to support both visits and online demonstrations.

The R&D team continued to add features to our portable X-ray products and expand the range of peripheral options available. An example of this, released in the period, is a hand-held trigger which allows our portable X-ray generators to be used with X-ray film, without the need to set up a detector panel or laptop, an important option for some bomb scenarios. Our US based sales consultant, an experienced former bomb technician, has created detailed instruction videos to support this and other new developments. Bomb technician training courses were carried out in the US under the 3DX-Ray name for the first time.

The new Axis-CXi cabinet X-ray system, launched at an online trade show just after the year end, presents a level of sophistication in image capture and processing not previously available in this type of screening system. Use of many components and software modules from the portable X-ray systems made this an efficient development process and will help in manufacturing and customer support. The team has also made good progress on a new conveyor X-ray system based on technology from our technology partner. Both project teams have included Bluefrog Design, an award-winning industrial design company based in Leicester, who have helped create an impactful external design for machines.

New measurement techniques for the MDXi range of industrial scanners were taken to market during the year and, shortly after the year end, this activity led to a software contract to finalise the development of the techniques and implement them on deployed MDXi inspection systems. This demonstrates the close working relationships we maintain with our key industrial customers, important for our continued success in this profitable niche.

Financial Results

New orders received in the year declined under the influence of COVID-19 to £2.4m (2019: £3.9m), however, the strong order book brought forward from the prior year allowed sales of £3.5m (2019: £2.4m), a 50% increase year on year. Geographically the destinations for these sales were highly diverse and included customers in South America and Africa alongside more normal targets in the Middle East and Asia. Aftersales revenues, which consist primarily of service, spares and training, were up by nearly 50%, supported by valuable spares contracts for a nuclear screening system originally delivered in 2015.

Gross margins returned to more normal levels at 49% (2019: 54%) reflecting the balance of product mix towards portable X-ray. Overheads declined slightly to £1.6m, as the Company used the Government's Coronavirus Job Retention Scheme to support salaries during periods of reduced activity. The pre-tax trading profit for the year was £113k (2019: loss of £402k).

The Company ended the period with an order book of £633k (2019: £1.7m) and a healthy year-end cash balance of £1.4m (2019: £640k). The strong bank balance represents cash generation of £769k (2019: reduction £142k), achieved in part by carefully trading out of the high stock holding reported at the end of the previous period. Stock has been managed tightly, particularly in the period of the pandemic, with a balance being struck between control of working capital and the need to offer favourable delivery times to customers. In the year, the Company took advantage of the Government's Bounce Back loan for £50k which will be repaid in FY2021.

Overall net assets at the year-end increased to £1.4m (2019: 1.3m) and with year- end cash balances of £1.4m this leaves the Group in a strong financial position to both weather the pandemic and continue its investment in its products and markets.

Adapting The Operation Of The Business

While the focus of operational improvement efforts in the prior year had been on-time delivery and quality, in FY2020 the emphasis has been on adapting to the challenging demands of the COVID-19 pandemic. The manufacturing space has been reorganised to create social distancing, new controls have been introduced and access to software tools for remote product development has been improved. Sales and administration functions have worked almost entirely from home. Our customer support staff have had to re-think how they operate, increasing remote access to deployed systems and, in some cases, finding and training local support partners.

We have worked hard to maintain the atmosphere of co-operative teamwork that existed when the whole team was working in one place. The business will continue to adapt and improve in this new and challenging environment.

Corporate Governance

The Group has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. The Corporate Governance statement can be found on page 15 of this report.

Key Performance Indicators

During the year under review, the Board reviewed the Financial Key Performance Indicators which it considered appropriate for a business of the size and stage of development.

The Board reviews the performance of the business against its key targets monthly and adjusts operational focus accordingly.

	2020	2019	2018	2017
Order intake	£2.4m	£3.9m	£2.8m	£5.4m
Turnover	£3.5m	£2.4m	£3.5m	£5.0m
Gross margin	49%	54%	47%	38%

Share price performance

The highest and lowest share prices during the year were 3.4 pence and 1.1 pence per share respectively. The closing mid-market price was 2.65 pence per share.

Introduction Of New Accounting Standards

In the financial year. the Group implemented IFRS 16 Leases. These had no material impact on the results reported as summarised in note 10.

STRATEGIC REPORT (CONTINUED)

Principal Risks And Uncertainties

Operational risks

The Group runs a risk management process under which potential risks to the business are identified and mitigating measures are put in place. The Directors regularly review the Risk Register, ensuring that resources are allocated to implement mitigation plans. Risk analysis is also embedded into the Group's ISO 9001:2015 compliant Quality Management System.

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

Risk	Mitigation
Shareholder concentration	
A single shareholder (Rise Step) holds 22% of the stock, meaning that this shareholder's support is required in order to pass a special resolution.	Regular communication with all significant shareholders.
Revenue pattern	
The order intake pattern is irregular in that either product or payment terms vary for each contract. This creates potential challenges for supply chain management, resource scheduling and cash flow.	Working capital is carefully monitored through detailed cash flow forecasts, monthly by the Board and considered at weekly management meetings. Sales pipeline is reviewed weekly along with related supply chain issues. Key suppliers now hold stock for the Group to call off as required, reducing the working capital requirement while retaining flexibility. A detailed product roadmap is implemented.
Competitive market	
The portable X-ray market is competitive with multiple players and competing technologies.	Programme of continuous innovation and aggressive marketing to ensure product differentiation. Early engagement with partners and customers to ensure benefits the Group's technologies are recognised in procurements.
COVID-19	
The impact of the global pandemic on the Group's ability to operate and win orders.	A number of measures are in place to enable to the team to work either COVID-19 securely on site or remotely. This includes remote product demonstrations and attendance at virtual shows.
Brexit	
The uncertainty around the nature of a deal with the EU and how that will impact on the business.	Consideration of developments and Government guidance on preparation of exit is included in each board meeting.

Financial risks

The Group's financial instruments during the year comprised trade and other debtors, cash balances and various other items, such as trade and other creditors. The main purpose of these financial instruments is the financing of the Group's operations and development work. Following a review, the Board decided not to enter into any derivative transactions in the year to manage currency or liquidity risk. The main risks arising from the Group's financial instruments are therefore considered to be currency risk, credit risk and liquidity risk.

RISK
Currency risk
The Group does not have a policy of using hedging contracts. The Group is exposed to exchange rate fluctuations on purchases and sales in foreign currency. Fluctuations in purchase price are managed by setting sales prices. The Board will keep this policy under review.
Credit risk
The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the Group's policy is to use banks with a high credit rating assigned by an international credit rating agency. With respect to trade debtors, payment terms typically require a substantial deposit on placement of the order and a majority of the contract paid prior to shipment.
Liquidity risk
The Group's policy is to manage liquidity risk by ensuring sufficient cash balances are in place to meet its commitments and to monitor risk on an ongoing basis by undertaking cash flow forecasting procedures. The Group has positive cash balances and has therefore been able to meet its working capital requirements throughout the year under review.

s172 Stakeholder Engagement Impact Statement

This statement can be found on page 19 as part of the Corporate Governance Statements.

Approved and signed by order of the Board

William Mawer

Chief Executive Officer

3 December 2020

DIRECTOR'S REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2020.

Directors

The Directors who served during the year were as follows:

W R Mawer
V J Deery
R A Leaver
T D Jackson
S A Atwell King

Directors' And Officers' Liability Insurance

The Group had in force during the year, and has in force at the date of this report, a qualifying indemnity in favour of its Directors and officers against the financial exposure that they may incur in the course of their professional duties as Directors and officers of the Company and/or its subsidiaries.

Shareholdings

At the date of this report, the number of issued shares were 136,544,577 and the following substantial shareholdings have been notified to the Company:

	%	Ordinary shares of 1 pence each
Rise Step International Development Ltd	22.70	30,873,331
D Allenby	12.49	16,501,305
Old Mutual plc	7.00	9,540,021
Charles Cozens	4.04	5,510,500
Directors shareholdings		
W R Mawer	3.83	5,204,682
R A Leaver	0.37	500,000
V J Deery	0.06	83,077
S A Atwell King	0.06	75,000

Dividends

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

Research And Development

Research and development was mainly focused on developing the portable X-ray inspection system as set out in the Strategic Report. Costs in the year amounted to £299,804 (2019: £408,531).

Company Number

03062983 (England and Wales).

Strategic Report

The Group has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information in the Strategic Report and Chairman's statement which would otherwise be required to be contained in the Directors' Report:

- financial risk management objectives;
- indication of exposure to currency risk, credit risk and liquidity risk; and
- likely future developments of the business.

Directors' Statement Of Responsibilities

The Directors are responsible for preparing the Strategic Report, the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by 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 Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ('AIM').

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 Group and its subsidiaries 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 requirements of 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 and the impact of COVID-19

The Directors have assessed the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2020. As for many businesses, the Group has been significantly impacted by COVID-19 and this is set out in the Chairman's Statement on page 5 of this report.

Based on the Group's forecasts, for FY2021 and FY2022, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In making their assessment the Directors have considered the following:

- The Group's ability to trade in the six months from lockdown to September 2020, demonstrating the resilience of the Group's business model.
- The Group's financial resources at the time of signing this report and the key risks to these resources, including income forecasts at a significant lower level than plans.
- The Group's financial plans and commitments including product development, capital commitments, stock purchases and other non-variable/non-discretionary costs.
- The principle risks associated with the business as well as how COVID-19 has impacted on them.

DIRECTOR'S REPORT (CONTINUED)

The Directors concluded that the key area of the risk is the duration of the downturn in demand from customers. Whilst considered extremely unlikely based on current trading, a reverse stress test carried out to model the impact of no equipment sales until after September 2021. The Directors have assessed that the Group has sufficient financial resources are in place to respond to such a downturn. The Directors have also reviewed the supply chain and are satisfied that alternative sources of supply could be utilised should there be any disruption with existing supply chain arrangements as a result of ongoing impacts of COVID-19.

Whilst the Directors recognise the possible impact of COVID-19 on future activities and cash flows are uncertain, this is not considered to give rise to a material uncertainty given the factors noted above and the currently available cash resources. On this basis the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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.

Post Balance Sheet Events

There were no significant post balance sheet events since the year end that would affect the Group's results.

Auditors

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

On behalf of the Board

William Mawer

Chief Executive Officer

3 December 2020

STATEMENT OF COMPLIANCE WITH THE 2018 CORPORATE GOVERNANCE CODE

The Board recognise that high standards of corporate governance underpin our continuing success and as a Board we acknowledge our responsibility in leading this process.

We continually review the framework within which we operate and the processes implemented to ensure that they reflect the complexities of our business and, whilst acknowledging our size, are also capable of adding value as the business grows. In line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework.

We are not fully compliant with all of the requirements of the QCA Code; the posts of Chairman and Chief Executive Office are presently held by the same individual as this currently suits the Company's strategic plans and while we considers our non-executive directors to be independent in character and judgement; neither are technically independent as defined by the QCA Code because both participate in the Company's share option schemes.

Within Image Scan, we promote a culture of good governance in dealing with all key stakeholders: our employees, our customers, our suppliers and our shareholders. This section of the annual report alongside the disclosure on our website describes our corporate governance structures and processes and how they have been applied throughout the year ended 30th September 2020.

WR Mawer

Chairman, Image Scan Holdings plc

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Board ensures that the Company adopts proper standards of corporate governance and that the principles of best practice, as set out in the QCA Corporate Governance Code, are followed so far as is practicable and appropriate to the size and nature of the Group and the constitution of the Board. Set out below is a summary of how, the Group is applying the key requirements of the Code and an explanation of where it has chosen not to comply.

1. Establish a strategy and business model which promote long-term value for shareholders

The strategy and business operations of the Group are set out in the Strategic Report on pages 8 to 11 of this report. The Group's strategy and business model are developed and approved by the Board. The management team is responsible for implementing the strategy and managing the business at an operational level. The Group's overall strategic objective is focused on the development and commercialisation of market leading X-ray solutions for use in the global security and industrial inspection markets.

2. Seek to understand and meet shareholder needs and expectations

The Board recognises that Image Scan communicates with its shareholders principally through its website and the Annual Report. Shareholders can also sign up to receive news releases directly from the Company by email. The Chairman makes himself available to major shareholders on request and periodically attends meetings and gives presentations to shareholders.

The Annual General Meeting of the Company, normally attended by all directors, gives the directors the opportunity to report to shareholders on current and proposed operations and enables the shareholders to express their views of the Group's business activities. Shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board believes that, in addition to its shareholders, its main stakeholder groups are its employees, customers, suppliers and relevant Statutory Authorities in its areas of operation.

The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are is consistent with the Group's longer term strategy.

Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities as well as maintain quality certification ISO9001:2015.

Further details are set out on pages 19 to 21 in the s172 Stakeholder Engagement Impact Statement of this report.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the Group's internal control and risk management systems and for monitoring their effectiveness. The Board maintains a system of internal controls to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces.

Details of the principal risks and how they are mitigated alongside side the Group's internal control and risk management process are set out in the Strategic Report on pages 8 to 11 of this report.

The Board considers risk to the business on an ongoing basis and the Group formally reviews and documents the principal risks at least annually. The Board is responsible for reviewing and evaluating risk in the business.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

Throughout the year the Board of Image Scan comprised a combined Chairman/CEO, two further Executive Directors and two Non-Executive Directors. At every AGM, one-third of the Directors must retire by rotation. The Board's role is to establish the strategic objectives and policies; oversee all aspects of the Group's finances; continuously review performance and controls; manage risk; decide on key business transactions and manage the interests of stakeholder groups.

The Board reserves for itself a range of key decisions such as strategy, acquisitions, significant contracts and internal controls, to ensure it retains proper direction and control of the Group, whilst delegating authority to individual Directors who are responsible for the executive management of the business.

The QCA Code recommends that the role of Chairman and Chief Executive should not be exercised by the same individual. The role of Executive Chairman is held by Bill Mawer. In light of Bill's significant, unique and proven expertise, knowledge and industry relationships the Board continues to believe that combining the roles of Chairman and Chief Executive remains the right approach at this stage in the Group's development.

Under the QCA code, all Non-Executive Directors are not considered independent by virtue of their participation in a share option scheme, as a result the Group is not compliant with the requirement for companies below the FTSE 350 to have least two independent directors. At the same time, the Board considers that all Non-Executive Directors act independently of the Executive and are well placed to appropriately police adherence to the Group's strategy.

The Group does not have a director designated as a Senior Independent Director. In light of the size of the Board, and the Company's stage of development, the Board does not consider it necessary to appoint a Senior Independent Director at this stage, but will nevertheless keep this under review as part of the Board's evaluation on Board effectiveness.

Attendance at Board and its Committee meetings

The following meetings were held during the year.

	Number of Meetings	Attendance				
		W Mawer	R Leaver	T Jackson	V Deery	S Atwell King
Board	14	→14	14	14	13	14
Audit Committee	2	2	2	→2	–	–
Remuneration Committee	3	3	→3	3	–	–
Nomination Committee	1	→1	1	1	–	–

→Indicates the Chair of the committee

The terms of reference of the Audit Committee stipulate that three meetings per year should be held, however given the size of the board, some of the Audit Committee business was conducted by the full Board including review of the Risk Management system and Internal Controls.

6. Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The Board is composed of three executive and two non-executive directors who regularly meet throughout the year and receive timely information in a form and of a quality appropriate to enable it to discharge their duties.

The structure of the Board is subject to continual review to ensure that it is appropriate for the Group. The Directors' varied backgrounds and experience give Image Scan a good mix of the knowledge and expertise necessary to manage the business effectively.

The skills and experience of the Board are set out in their biographical details on the Investor Relations website http://www.3dx-ray.com/investor-relations/board-of-directors. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board undertakes an annual evaluation under a formal, self-evaluation process which was put in place in 2018. This process has led to a number of actions, including improvements to information that the Board receives and the creation of Board led initiatives reviewed regularly at Board meetings. The process focuses closely on objectives and targets for improving performance.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

8. Promote a corporate culture that is based on ethical values and behaviours

The Group is committed to a culture of equal opportunities for all employees. The Board aims to be diverse in terms of its range of culture, nationality and international experience. In November 2018, Ms Atwell King was appointed as Finance Director, improving the gender balance of the Board, which had previously been all male. If it is agreed to further expand the Board (or if new replacement directors are sought in the future), the Board will, subject to identifying appropriate candidates, consider the balance of the Board in making further appointments.

The Board is acting to strengthen the culture of the business through a process that develops a set of values consistent with the vision and objectives of the Group and flows these down though a set of specific initiatives. These initiatives are driven personally by the Chief Executive and a report on the progress against each initiative is given to the Board each month.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has twelve scheduled meetings a year, but meets more frequently if required, and, together with the Audit, Remuneration and Nominations Committees, deals with all important aspects of the Group's affairs. The Board receives timely information in a form and of a quality appropriate to enable it to discharge its duties. All Board Committees have their own terms of reference, which are available from the Company Secretary.

Audit Committee

The Audit Committee comprises Tim Jackson, who acts as the Chairman, Richard Leaver and Bill Mawer. Tim Jackson is considered to have recent and relevant financial and legal knowledge and experience.

The Audit Committee has three scheduled meetings per year.

The Audit Committee report can be found on page 22 and 23 of this report.

Remuneration Committee

The Remuneration Committee comprises Richard Leaver, who acts as the Chairman, Tim Jackson and Bill Mawer.

The Remuneration Committee normally meets at least once a year.

The Remuneration Committee report can be found on pages 25 of this report.

Nominations Committee

The Nominations Committee compromises of Bill Mawer, who acts as the Chairman, Tim Jackson and Richard Leaver.

The Nominations Committee normally meets at least once a year.

The Nomination Committee report can be found on page 24 of this report.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board recognises that Image Scan communicates with its shareholders principally through its website and the Annual Report. Shareholders can also sign up to receive news releases directly from the Company by email. The Chairman makes himself available to major shareholders on request and periodically attends meetings and gives presentations to shareholders.

The Annual General Meeting of the Company, normally attended by all directors, gives the directors the opportunity to report to shareholders on current and proposed operations and enables the shareholders to express their views of the Group's business activities. Shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

The results of voting on all resolutions in future general meetings will be posted to the Group's website.

The Group communicates with its staff in a number of ways including annual appraisals and monthly staff briefings which have increased to bi- weekly while some staff work from home.

s172 STAKEHOLDER ENGAGEMENT IMPACT STATEMENT

The following disclosure describes how the Directors have acted to promote the success of the company for the benefit of its members as a whole, with regard to the factors set out in section 172(1)(a) to (f) of the Companies Act. When performing their duties under the Act, they have considered the long-term consequences of decisions, matters affecting the Company's employees and other stakeholder relationships, and the need to act fairly between members of the Company. Furthermore, they have recognised that while companies are run for the benefit of their shareholders, the long-term success of a business is dependent on maintaining relationships with all significant stakeholders. The Board continuously reviews relationships that support the generation and preservation of value in the Company, including those with employees, suppliers, customers and distribution partners, and the Company's shareholders.

How the Group engages with its key shareholders

Stakeholder	Examples of engagement
Employees	• Comprehensive induction plan for new joiners • Annual employee review process • Promote engagement through regular company-wide staff briefings (Currently twice a month and include input on COVID-19 mitigation) • Recognition scheme rewarding individual staff for contributions to the Group (instant awards, quarterly awards, annual award) • Workplace improvement scheme
Suppliers	• Comprehensive and ongoing assessment of all suppliers • Share manufacturing forecasts with key suppliers and set up call-off agreements • Regular engagement with key suppliers to discuss performance • Regular discussions of COVID-19 impact with suppliers
Customers and distribution partners	• Regular communications of product and pricing information • Comprehensive support and training for partners • Field support services, including 24-hour help-line offered for all products • Periodic customer and partner satisfaction surveys • Targeted marketing campaigns to support partner sales campaigns
Shareholders	• Biannual reporting of results • Detailed presentation at the Annual General meeting (the most recent meeting included product demonstrations) • Important developments reported through RNS releases • Visits by individual shareholders to the company premises

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principal decisions linked to our strategy and the stakeholders impacted

Decision	Considerations	Stakeholders impacted
Setting annual financial budget and periodic updating of forecasts of profit and working capital.	The Board wanted to set a budget that would deliver good shareholder returns and set a challenging, but realistic, target for staff. The budget set targets for investment in new products and markets, balanced with a conservative approach to the management of cash. Despite COVID-19, the Board felt it had sufficient confidence in trading to publish a year-end forecast with the interim results, which was updated as the year-end approached. It was decided, in the light of uncertainty caused by COVID-19, to temporarily suspend guidance for future financial years. These decisions were driven by a desire to be as open as possible with shareholders about the Company's performance while wanting to avoid constantly changing forecasts as the pandemic developed.	Shareholders, employees
New product investments	The Board focussed on the need to reduce dependence on portable X-ray systems and maximise the benefit of the Company's extensive route to market. The Board wanted to increase service revenues, which are higher when security screening equipment, such as cabinet and conveyor X-ray systems, are placed in public facilities, as compared with portable X-ray systems which are typically used by specialist bomb squads.	All
Signature of partner agreement with Security X-ray company	Given that it has limited resources at its disposal, the Board chose to pursue a blend of internal product development, and external partnerships to expand its product range. Internal R and D spend would be maintained at a similar level to previous years, with additional products sourced through other means. The agreement announced in the year is with a company with a diverse and competitive security product range, that has experience of working in collaborative relationships. The first product created under the agreement will soon be taken to market. In the longer term additional products will be sourced through this relationship.	All
Appointment of sales consultant for North America	The Board wanted to develop the North American market while bringing in a high level of specialist bomb technician expertise to support the development of both product and market strategy. The costs of this programme have been reduced during the COVID-19 outbreak.	All

Decision	Considerations	Stakeholders impacted
Response to COVID-19	The Board wanted to continue, as far as possible, to deliver systems to its customers, in order to maintain revenue and conserve cash, while protecting staff from infection. We worked closely with staff, customers, and suppliers to make this possible, creating a COVID-safe environment at the site and having most staff work from home. We selectively used the Government Furlough scheme to support staff salaries in quiet periods and protect jobs. This effort has, so far, been successful. Online staff briefings have been held fortnightly, where both operational and welfare matters have been discussed. The product development programme has also continued to move forwards, with development staff working partly from home and partly on-site. We have continued to support our supply chain, working closely with suppliers and paying them on normal terms through this period.	All
Brexit	Europe represents a relatively small part of both the Company's export market and its supply chain. The Board considers the potential implications of Brexit regularly. A significant machined component in the Company's portable X-ray systems, previously sourced from an EU country has been re-sourced from a UK supplier.	All
Appointment of WH Ireland as broker and Nomad	The decision to change provider was prompted by Cantor Fitzgerald Europe closing its European broker/Nomad operations. The Board wanted to work with a company with real enthusiasm for our business, that was both small enough to focus on us but large enough to help us grow. WHI met these requirements and, so far, the Board is happy with its selection.	Shareholders
AGM location	For the first time, the Board chose to hold the AGM on-site in Barrow rather than in London. This allowed shareholders to engage with individual staff members, form a deeper overall impression of the Company and see demonstrations of both current and in-development products. Staff benefitted from meeting shareholders and understanding their perspective of the Company.	Shareholders. Employees

SHARE DEALING CODE

The Company has adopted a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (including relating to the restrictions on dealings during close periods in accordance with MAR and with Rule 21 of the AIM Rules for Companies) and the Company takes all reasonable steps to ensure compliance with the share dealing code by the Directors and any relevant employees.

ANTI-BRIBERY POLICY

The Group believes that it has robust policies and procedures for combating bribery and corruption which are periodically reviewed.

AUDIT COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Tim Jackson	2
Member	Bill Mawer	2
Member	Richard Leaver	2

Roles and responsibilities

The Audit Committee has responsibility for:

- the Company's financial reporting.
- narrative reporting ensuring that the financial performance of the Group is properly monitored and reported on.
- whistleblowing arrangements.
- internal financial controls – identifying and commissioning specific internal control reviews.
- appointment of external auditors.
- the external audit process – meeting the external auditors and reviewing any reports from them regarding accounts and internal control systems.

It also oversees:

- the Group's Risk Register.
- developments in relevant legislation and regulation.
- the Group's system of internal controls and risk management.

Activities during the year

During the year, the following matters were considered by the committee:

Financial statements and reports

- reviewed annual report and accounts, and received reports from the external auditor;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts;
- reviewed management representation letters, going concern reviews and significant areas of accounting estimates and judgements, including warranty and stock valuation and impairment; and
- reported to the Board on the appropriateness of accounting policies and practices, including the adoption of IFRS16 Leases.

Risk management

- considered the Group risk register, which identified, evaluated and set out mitigation of risks including COVID-19, and reviewed the principal risks and uncertainties disclosed in the annual report and accounts.

External audit and non-audit work

- reviewed the relationship with the external auditor, BDO LLP including its independence, objectivity and effectiveness and, based on that review, recommended to the Board its reappointment at the forthcoming Annual General Meeting;
- reviewed, considered and agreed the scope and methodology of the audit work to be undertaken by the external auditor;
- agreed the terms of engagement and fees to be paid to the external auditor; and
- reviewed any non -audit fees incurred during the year.

Internal controls and risk management

The Board is responsible for the effectiveness of the Group's system of internal control, which has been designed and implemented to meet the requirements of the Group and the risks to which it is exposed. The Group has a robust risk management process that follows a sequence of risk identification, and assignment of ownership to manage mitigation activities. The Committee reviews the Group risk register at least once each year to assess the actions being taken by senior management to monitor and mitigate the risks.

The Group's principal risks and uncertainties are described on pages 10 and 11 of the Strategic Report
The following key elements comprise the internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives and ensure accurate and timely reporting of financial data for the Company and the Group:

- an appropriate organisational structure with clear lines of responsibility;
- an experienced and qualified finance function, which regularly assesses the risks facing the Group;
- an annual strategic and business planning process;
- a systems of control procedures and delegated authorities; and
- a robust financial control, budgeting and rolling forecast system, which includes regular monitoring, variance analysis and key performance indicator reviews;

Going concern

Financial projections covering a period of not less than two years from the year end are prepared to support the review of going concern. This assessment took into account the current uncertainty in trading due COVID-19, as set out in the going concern assessment within the Directors Report on page 13 and note 2.

Significant accounting matters

The Audit Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provides details on the main financial reporting judgements. In particular the Committee has reviewed the Group's policy on revenue recognition, considering whether it is in line with IRFS15, as detailed in note 2. The Committee also reviews reports by the external auditor on the full year results which highlight any issues arising from the work undertaken.

Tim Jackson

Chairman of the Audit Committee

3 December 2020

NOMINATION COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Bill Mawer	1
Member	Tim Jackson	1
Member	Richard Leaver	1

Roles and responsibilities

The Nomination Committee has responsibility for:

- assessing whether the size, structure and composition of the Board (including its skills, knowledge, experience, independence and diversity, including gender diversity) continue to meet the Group's business and strategic needs, in particular that the roles of Chairman and Chief Executive Officer are held by one person;
- examining succession planning; and
- identifying and nominating, for approval by the Board, candidates to fill Board vacancies as and when they arise, together with leading the process for such appointments.

Activities during the year

The Nominations Committee met once during the year, reviewing on the occasion the structure and make-up of the Board.

A skills matrix has been developed, identifying the experience and skills needed by the Image Scan Board and the skillset of each Board member assessed against this. No significant gaps were identified.

Bill Mawer

Chairman of the Nomination Committee

3 December 2020

REMUNERATION COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Richard Leaver	3
Member	Tim Jackson	3
Member	Bill Mawer	3

Roles and responsibilities

The role of the Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and the senior management team to attract and retain leaders who are focused and incentivised to deliver the Group's strategic business priorities, within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long-term success of the Group.

The Committee's main responsibilities are:

- establishing and maintaining formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, and monitoring and reporting on them;
- determining the remuneration, including pension arrangements, of the Executive Directors; and
- approving annual long-term incentive arrangements together with their targets and levels of awards.

Activities during the year

Matters considered and decisions reached by the Committee during the year included:

- reviewed and approved the remuneration policy for 2019/2020;
- reviewed and approved the parameters of the Annual Bonus Plan for the Group;
- manage the Company's share option schemes
- reviewed and approved Executive Directors salaries for 2019/20; and
- reviewed performance measures for 2020/2021 for the Executive Directors

The details of the Directors' remuneration are found in the Directors' remuneration report.

Richard Leaver
Chairman of the Remuneration Committee
3 December 2020

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' remuneration report for the year ended 30 September 2020. This report has not been prepared in accordance with the Directors' report regulations because, as an AIM listed 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, Richard Leaver, 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.

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:

Directors	Basic salary	Fees	Benefits	Bonus	Pension contributions	Total emoluments 2020	Total emoluments 2019
	£	£	£	£	£	£	£
Executive							
V J Deery	97,358	-	1,740	5,892	8,969	**113,959**	109,598
W R Mawer	81,718	-	3,493	2,438	-	**87,649**	113,906
S A Atwell King	79,068	-	933	2,407	7,140	**89,548**	79,720
Non-executive							
R A Leaver	-	16,320	1,115	-	-	**17,435**	16,587
T D Jackson	-	16,320	-	-	-	**16,320**	16,587
Total 2020	**258,144**	**32,640**	**7,281**	**10,737**	**16,109**	**324,911**	336,398
Total 2019	274,774	33,174	9,551	3,400	15,499	336,398	

This table excludes any share-based payments.

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 have been granted:

Holder	Image Scan share option scheme	Number	Exercise price	Date of grant	Vesting period	Expire
V J Deery	EMI	1,000,000	2.0p	17/09/2014	3 years	17/09/2024
S A Atwell King	EMI	300,000	2.0p	17/09/2014	3 years	17/09/2024
W R Mawer	Unapproved Scheme	1,500,000	3.375p	11/04/2014	3 years	11/04/2024
W R Mawer	EMI	1,000,000	2.0p	17/09/2014	3 years	17/09/2024
R A Leaver	Unapproved Scheme	400,000	3.375p	11/04/2014	3 years	11/04/2024
T D Jackson	Unapproved Scheme	400,000	2.5p	22/09/2014	3 years	22/09/2024
W R Mawer	EMI	1,000,000	2.25p	22/12/2015	3 years	22/12/2025
V J Deery	EMI	1,000,000	2.25p	22/12/2015	3 years	22/12/2025
R A Leaver	Unapproved Scheme	200,000	2.25p	22/12/2015	3 years	22/12/2025
T D Jackson	Unapproved Scheme	200,000	2.25p	22/12/2015	3 years	22/12/2025
S A Atwell King	EMI	300,000	2.25p	22/12/2015	3 years	22/12/2025
V J Deery	EMI	440,000	6.25p	04/07/2017	3 years	04/07/2027
W R Mawer	EMI	440,000	6.25p	04/07/2017	3 years	04/07/2027
R A Leaver	Unapproved Scheme	50,000	6.25p	04/07/2017	3 years	04/07/2027
T D Jackson	Unapproved Scheme	50,000	6.25p	04/07/2017	3 years	04/07/2027
S A Atwell King	EMI	200,000	6.25p	04/07/2017	3 years	04/07/2027

Richard Leaver

Chairman of the Remuneration Committee

3 December 2020

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

Opinion

We have audited the financial statements of Image Scan Holdings Plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 30 September 2020 which comprise the consolidated statement of comprehensive income, the consolidated and the company statements of financial position, the consolidated and the company statements of changes in equity, the consolidated and the company cash flow statements and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 30 September 2020 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

(a) Risk of misstatement in revenue recognition

Refer to the Accounting Policies page 39 and note 3 page 44. The Group's significant revenue stream is the sale of X-ray systems. We consider the Group's revenue recognition as a key audit matter due to judgement involved in interpreting contracts, identifying relevant performance obligations subsequently the recognition of revenue in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers. The risk is heightened as the profile of invoicing and cash collection does not mirror the delivery of the performance obligations within a contract. Therefore, there is a significant risk of misstatements in respect of year end cut off, the existence of revenue and the completeness of deferred revenue.

How the key audit matter was addressed in our audit

We reviewed the position paper prepared by management identifying relevant performance obligations identified within contracts with customers and reviewed a sample of contracts to corroborate the performance obligations identified. Following this review and in light of our knowledge of the business we confirmed that the Group policies have been consistently applied.

We reviewed projects in progress at the year end and for a sample we obtained the customer contract to identify the distinct performance obligations and confirmed that revenue relating to the performance obligations completed had been recognised. We confirmed that the amount of revenue allocated to the different performance obligations was reasonable in light of sales prices achieved for the delivery of individual elements of the contract when they are delivered in isolation.

For projects that were in progress at the year end where performance obligations had not been satisfied, but invoices raised on account we verified appropriate amounts had been deferred and shown as contract liabilities with costs of production recognised as work in progress.

Our testing strategy set out above resulted in us substantiating 98% of revenue recognised in September 2020 and confirmed it was appropriate to recognise in the year. We also agreed a sample of revenue recognised in October 2020 to supporting documentation to ensure that it should not have been recognised in the financial year.

Key observations

We noted no material exceptions through performing these procedures.

(b) Going concern and the impact of COVID-19 on the related disclosures in the financial statements

The Directors have prepared the financial statements on a going concern basis. The Directors' assessment of the impact of COVID-19 on the going concern of the Group is described in note 2.

At the time of approval of the financial statements there are unprecedented levels of uncertainty related to the impact of COVID-19 on all businesses including the Group.

The Directors have had to address significant levels of estimation uncertainty in forecasting the expected impact on the Group's future operating results and cashflows including modelling downside sensitivities. The Directors have also applied judgement as to the level of disclosure given in the financial statements in relation to this matter.

Given the level of estimation uncertainty and judgement involved in relation to the impact COVID-19 has on the presentation of the financial statements it was considered to be a significant risk.

How the key audit matter was addressed in our audit

We reviewed managements’ COVID-19 budgets and sensitivities which covered the period to September 2022. As part of our work we:

- made enquiries of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity’s ability to continue as a going concern.
- reviewed the forecasts prepared and challenged the key assumptions and inputs within the model so as to determine whether there is adequate support for the assumptions underlying the forecasts.
- challenged the appropriateness of the sensitivities applied and confirmed that they have suitably addressed the inputs which are most susceptible to change. We have also considered the feasibility of each of the possible expenditure reductions identified.
- reviewed post year end management accounts, specifically comparing the cash position against that budgeted

We also reviewed the disclosures in the annual report to ensure that they were consistent with the Directors’ review and supporting COVID-19 budgets and provided suitable information to the user of the financial statements against the requirements of the accounting standards.

Key observations

Our observations are set out in the ‘conclusions relating to going concern section above. We are content that the related disclosures in the financial statements are adequate.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinions.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £35,000 (2019: £24,000), which was based, in both years, on 1% of turnover which is considered an appropriate benchmark in light of the stage of development of the business. The increase in materiality this year is a reflection of the increase of turnover in the business.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £26,250 (2019: £18,000) which represents 75% (2019: 75%) of the above materiality levels based on a low level of expected misstatements.

Whilst materiality for the financial statements as a whole was £35,000, the significant component of the Group was audited to a lower level of materiality which was used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit. Materiality applied to the relevant components of the Group was as follows:

Materiality in respect of both components of the group, Image Scan Holdings Plc (Parent Company – insignificant component) and 3DX-Ray Limited (trading subsidiary – significant component) has been set at £33,250 (2019: £22,800) which represents 95% of Group materiality. Performance materiality has been set at 75% of these figures levels based on a low level of expected misstatements.

Reporting threshold
An amount below which identified misstatements are considered to be clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1,750 (2019: £1,200), which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

An overview of the scope of our audit
The Group manages its operations from a single location in the UK and consists of the Group holding company, one trading subsidiary and one dormant subsidiary. The trading subsidiary, 3DX-Ray Limited, is considered to be the only significant component of the group. The group engagement team carried out a full scope audit on this significant component of the group. As set out above, our audit work on the trading component was executed at a level of materiality applicable to the individual entity, which was lower than group materiality. Although the Parent Company was deemed to be an insignificant component, we have carried out a full scope audit as we were required to give a separate audit opinion on that entity.

The Group engagement team carried out all the audit work. The engagement team included tax specialists who reviewed the research and development tax credit calculations.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 13 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
3 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020	2019
		£	£
REVENUE	3	**3,484,410**	2,365,202
Cost of sales		**(1,760,242)**	(1,086,595)
Gross profit		**1,724,168**	1,278,607
Operating expenses		**(1,312,562)**	(1,272,779)
Research and development expenses		**(299,804)**	(408,531)
Total administrative expenses		**(1,612,366)**	(1,681,310)
OPERATING PROFIT/ (LOSS)		**111,802**	(402,703)
Finance income		**993**	892
PROFIT / (LOSS) BEFORE TAXATION		**112,795**	(401,811)
Taxation	6	**25,160**	33,939
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY OWNERS OF THE PARENT COMPANY		**137,955**	(367,872)
		Pence	Pence
Earnings per share	7		
Basic		**0.10**	(0.27)
Diluted		**0.10**	(0.27)

There were no other comprehensive income for 2020 (2019:£nil)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Note	2020	2019
		£	£
NON-CURRENT ASSETS			
Intangible Assets	8	**17,839**	25,334
Property, plant and equipment	9	**7,197**	11,575
Right of Use Asset	10	**39,664**	-
Deferred Tax Asset	12	**-**	7,150
		64,700	44,059
CURRENT ASSETS			
Inventories	13	**450,574**	783,089
Trade and other receivables	14	**314,525**	663,959
Cash and cash equivalents	15	**1,409,494**	640,489
		2,174,593	2,087,537
TOTAL ASSETS		**2,239,293**	2,131,596
CURRENT LIABILITIES			
Trade and other payables	16	**707,630**	848,037
Lease Liability	10	**38,522**	-
Warranty provision	17	**33,750**	16,000
Bank Loan	18	**3,147**	-
		783,049	864,037
NON-CURRENT LIABILITIES			
Bank Loan	18	**46,853**	-
		46,853	-
NET ASSETS		**1,409,391**	1,267,559
EQUITY			
Share capital	19	**1,363,546**	1,363,546
Share premium account		**8,327,910**	8,327,910
Retained earnings		**(8,282,065)**	(8,423,897)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**1,409,391**	1,267,559

These financial statements were approved and authorised for issue by the Board of Directors on 3 December 2020.

Signed on behalf of the Board of Directors

William Mawer

CHIEF EXECUTIVE OFFICER

Company Number 03062983

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

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	**2020**	2019
		£	£
NON-CURRENT ASSETS			
Investments in Group undertakings	11	**21,377**	20,612
CURRENT ASSETS			
Trade and other receivables	14	**1,355,291**	1,247,825
Cash and cash equivalents	15	**28,202**	35,726
		1,383,493	1,283,551
TOTAL ASSETS		**1,404,870**	1,304,163
CURRENT LIABILITIES			
Trade and other payables	16	**41,344**	36,604
NET ASSETS		**1,363,526**	1,267,559
EQUITY			
Share capital	19	**1,363,546**	1,363,546
Share premium account		**8,327,910**	8,327,910
Retained earnings		**(8,327,930)**	(8,423,897)
TOTAL EQUITY		**1,363,526**	1,267,559

As permitted by s408 of the Companies Act 2006, a separate income statement for the Company has not been included. The profit for the financial year dealt with in the financial statements of the Company was £92,090 (2019: loss of £367,872).

These financial statements were approved and authorised for issue by the Board of Directors on 3 December 2020.

Signed on behalf of the Board of Directors

William Mawer
CHIEF EXECUTIVE OFFICER
Company Number 03062983

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital	Share premium	Retained earnings	Total
CONSOLIDATED	**£**	**£**	**£**	**£**
As at 1 October 2018	1,363,546	8,327,910	(8,061,389)	1,630,067
Loss for the year and total comprehensive income/(expenditure) for the year	-	-	(367,872)	(367,872)
Transactions with owners:				
Share-based transactions	-	-	5,364	5,364
As at 30 September 2019	1,363,546	8,327,910	(8,423,897)	1,267,559
Profit for the year and total comprehensive income/(expenditure) for the year	-	-	137,955	137,955
Transactions with owners:				
Share-based transactions	-	-	3,877	3,877
As at 30 September 2020	**1,363,546**	**8,327,910**	**(8,282,065)**	**1,409,391**

	Share capital	Share premium	Retained earnings	Total
COMPANY	**£**	**£**	**£**	**£**
As at 1 October 2018	1,357,046	8,327,910	(8,061,389)	1,630,067
Loss for the year and total comprehensive income/(expenditure) for the year	-	-	(367,872)	(367,872)
Transactions with owners:				
Share-based transactions	-	-	5,364	5,364
As at 30 September 2019	1,363,546	8,327,910	(8,423,897)	1,267,559
Profit for the year and total comprehensive income/(expenditure) for the year	-	-	92,090	92,090
Transactions with owners:				
Share-based transactions	-	-	3,877	3,877
As at 30 September 2020	**1,363,546**	**8,327,910**	**(8,327,930)**	**1,363,526**

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2020

	Note	2020	2019
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before research and development expenditure and exceptional costs		**411,606**	5,828
Research and development expenditure		**(299,804)**	(408,531)
Operating profit/(loss)		**111,802**	(402,703)
Adjustments for:			
Depreciation		**9,414**	13,482
Amortisation of intangible assets		**12,049**	10,458
Amortisation of lease		**39,269**	-
Impairment of inventories		**26,263**	13,297
Decrease in inventories		**306,252**	142,253
Decrease in trade and other receivables		**349,434**	119,511
Decrease in trade and other payables		**(140,407)**	(61,929)
Increase/(decrease) in warranty provisions		**17,750**	(18,999)
Share-based payments		**3,877**	5,364
Cash generated by/(used in) operating activities		**735,703**	(179,266)
Corporation tax		**32,310**	64,133
Net cash flows generated by/(used in) operating activities		**768,013**	(115,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**993**	892
Purchase of intangibles	8	**(4,555)**	(16,915)
Purchase of property, plant and equipment	9	**(5,035)**	(9,990)
Net cash used in investing activities		**(8,597)**	(26,013)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank loan		**50,000**	-
Lease payment		**(40,411)**	-
Net cash generated from financing activities		**9,589**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**769,005**	(141,146)
Cash and cash equivalents at beginning of year		**640,489**	781,635
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**1,409,494**	640,489

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

COMPANY CASH FLOW STATEMENT
YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £	2019 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Profit		**92,090**	(367,872)
Adjustments for:			
(Increase)/decrease in intercompany account		**(104,009)**	468,078
(Increase)/decrease/increase in trade and other receivables		**(3,457)**	24,078
Decrease/increase in trade and other payables		**4,740**	(117,512)
Share-based payment		**3,112**	4,508
Net cash (used in)/ generated from operating activities		**(7,524)**	11,327
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	-
Finance costs of fund raising		**-**	-
Net cash flow generated from financing activities		**-**	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(7,524)**	11,327
Cash and cash equivalents at beginning of year		**35,726**	24,399
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**28,202**	35,726

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General Information

Image Scan Holdings plc is a public limited company limited by shares 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 and in the revenue note in the financial statements.

These financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Group operates.

2. Significant Accounting Policies

Basis of preparation

These consolidated and single entity financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU. The financial statements have been prepared under the historical cost convention.

Going concern

The Directors have assessed the going concern position of the Group for the Consolidated Financial Statements for the year ended 30 September 2020. As for many businesses, the Group has been significantly impacted by COVID-19 and this is set out in the Chairman's Statement on page 5 of this report.

Based on the Group's forecasts, for FY2021 and FY2022, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In making their assessment the Directors have considered the following:

- The Group's ability to trade in the six months from lockdown to September 2020, demonstrating the resilience of the Group's business model.
- The Group's financial resources at the time of signing this report and the key risks to these resources, including income forecasts at a significant lower level than plans
- The Group's financial plans and commitments including product development, capital commitments, stock purchases and other non-variable/non-discretionary costs.
- The principle risks associated with the business as well as how COVID-19 has impacted on them.

The Directors concluded that the key area of the risk is the duration of the downturn in demand from customers. Whilst considered extremely unlikely based on current trading, a reverse stress test carried out to model the impact of no equipment sales until after September 2021. The Directors have assessed that the Group has sufficient financial resources are in place to respond to such a downturn. The Directors have also reviewed the supply chain and are satisfied that alternative sources of supply could be utilised should there be any disruption with existing supply chain arrangements as a result of ongoing impacts of COVID-19.

Whilst the Directors recognise the possible impact of COVID-19 on future activities and cash flows are uncertain, this is not considered to give rise to a material uncertainty given the factors noted above and the currently available cash resources. On this basis the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Significant Accounting Policies (Continued)

New accounting standards, amendments and interpretations

The Group has adopted the following new standards (effective 1 October 2019) in these financial statements:

- IFRS16 Leases

  Right-of-use assets are stated at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease, less accumulated depreciation. Depreciation is calculated to write off the value of an asset over the lease term. The lease liabilities associated with right-of-use assets are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease.

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 and has the ability to use its power to affect its returns so as to obtain benefits from its activities.

Revenue recognition

Revenue recognition is determined by reference to the performance obligations as set out in individual customer contracts. The selling price for each performance obligation is based upon the relative standalone selling price, excluding value-added taxes and discounts allowed. The Board have categorised performance obligations as follows;

Product Manufacturing – Point in Time –

Revenue is recognised at the point at which control is transferred to the customer which is determined by the specific terms of the contract. This is typically on an ex-work basis or where the contract stipulates that control will pass to the customer on delivery, revenue is recognise based on the relevant Incoterms.

Delivery – Point in Time –

If there is an element of delivery revenue which is unbundled from the total contract, this is recognised separately to the product revenue. This revenue is recognised separately if the contract stipulates that control will pass to a customer on an ex-works basis but the customer has requested that the company arranges delivery rather than the customer taking responsibility of that delivery. Where this occurs, this proportion of revenue is not recognised until delivery of the product has been made.

Installation and commissioning – Point in Time –

Under IFRS 15 this is determined to be a distinct agreed-upon contractual task separate from the manufacture of the product or delivery of the item. Revenue is recognised at the point at which installation has been completed and Site Acceptance Testing (SAT) is issued. This point is when control passes.

Support – Over Time –

Support contracts are raised separately to the manufacture of products, delivery and installation and commissioning. Support is recognised evenly over time as the customer simultaneously receives and consumes the benefits provided by the company's performance, as the company performs it.

2. Significant Accounting Policies (Continued)

Extended warranty – Over Time –

It is customary for the company to provide a warranty of twelve months to customers and this is accounted for in line with IAS 37 Provisions, Contingent Liability and Contingent Assets. An extended warranty of greater than 12 months is sometimes requested by a customer which provides the customer with a service in addition to the assurance that the product complies with agreed-upon customary specifications. This additional warranty is deemed to be a distinct performance obligation and typically a parts only obligation and revenue is recognised over time of duration of the extended warranty if it is material.

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 substantively enacted by the balance sheet date.

R&D tax credits are accounted for in the period to which they relate in order to match receipt of tax credits with the related expenditure.

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.

Intangible Assets

Acquired software, inclusive of lifetime licenses, are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs are amortised over the estimated useful lives of each asset.

Business software	-	three years

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 and equipment	-	three years

Assets under construction are not depreciated until brought into use.

Leases

The lease liabilities associated with right-of-use assets are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

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. Costs are calculated as the cost of materials and direct labour costs incurred. Net realisable value is based on the estimated selling price less further costs of disposal.

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 and amortisation.

No costs have been capitalised in this year as R&D expenditure has not reached a point where future profitability can be accessed.

Foreign currencies

Monetary 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.

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares, both ordinary and deferred;
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issues; and
- “Retained earnings” include all current and prior year results, as disclosed in the consolidated statement of comprehensive income, plus the equity component of share options issued.

Share-based payments

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.

2. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments comprise cash, trade receivables and trade and other payables.

Trade receivables

Trade receivables are initially stated at their fair value plus transaction costs, then subsequently at amortised cost using the effective interest method, if applicable, less impairment losses. Impairment losses against trade receivables carried at amortised cost are recognised by reference to any expected credit losses against those assets. The simplified approach for calculating impairment of financial assets has been used.

Cash and cash equivalents

The Group manages short-term liquidity through the holding of cash and highly liquid interest-bearing deposits. Only deposits that are readily convertible into cash with maturities of three months or less from inception, with no penalty of lost interest, are shown as cash or cash equivalents.

Trade payables

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in the finance cost in the statement of comprehensive income.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Amounts recoverable from group companies

The Company has amounts receivable from other Group companies which are measured at amortised cost less impairment losses. The Directors assess periodically whether there has been a significant increase in credit risk. Where there has been a significant increase in credit risk lifetime expected credit, losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred in various default scenarios over the remaining lives of the assets and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. If at the reporting date the credit risk has not increased significantly, impairment losses are calculated based on a 12 month expected credit loss model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Significant Accounting Policies (Continued)

Accounting judgements and key sources of estimation uncertainty

As stated above, the preparation of financial statements under IFRS requires the Group 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.

Key Judgements

(a) Revenue recognition on contracts.

The Group enters into sales with customers with contractual terms specific to each contract including stage payments and revenue is recognised in accordance with the accounting policy set out on page 40. In applying the accounting policy, the Board must determine that all the relevant criteria are met in accordance with IFRS15 Revenue Recognition and the Group's accounting policy in order to recognise revenue. This requires detailed review of the contractual terms and an understanding of the performance obligations in place with each specific customer. At the year end, there is £16k (2019: £620k) of contract liabilities in relation to payments in advance that would be recognised if certain contract terms were altered.

(b) Impairment of amounts recoverable from subsidiary company

The Company acts as a holding company for the trading subsidiary and provides funding in the way of intercompany loan, as disclosed in note 14. The Board must determine if there has been a significant increase in credit risk on the intercompany loan to establish the impairment model applied. The Board has used the results of the subsidiary compared to budget and expectations, along with forward-looking information such as forecasts to inform the assessment.

Key Estimates

(a) Impairment of inventory

As disclosed in note 13, an impairment has been made against the carrying value of components, accessories and demonstration inventory. The nature of the inventory requires an assessment of the application of the accessory items in future sales, the condition of demonstration inventory when returned and residual value should the items not be saleable.

Due to the nature of the inventory, changes in the basis of the estimates for the condition of inventory or residual values applied could have a material impact on the impairment provided but the directors believe that if the full provision was reversed this would have a value of less than £50k.

3. Revenue

The Group has only one business sector, being the continuing development of advanced X-ray imaging techniques. The Group has disaggregated revenue into the following tables which is intended to define how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date. This is reviewed by William Mawer as the Chief Operating Decision Maker. Information about our product range can be found within the business model set out on inside cover of this report.

All revenue is derived from operations in the United Kingdom.

	2020 £	2019 £
Group revenue by destination		
UK	**403,460**	167,279
Europe, the Middle East and Africa	**1,907,660**	755,901
Asia	**1,043,226**	1,226,423
Americas	**130,064**	215,599
	3,484,410	2,365,202

	2020 £	2019 £
Group revenue by type		
Original Equipment	**2,825,471**	1,919,543
After Sales	**658,939**	445,659
	3,484,410	2,365,202

	2020 £	2019 £
Group revenue by timing of transfer of goods		
Point in time (determined by contract)	**3,098,327**	2,039,987
Over time	**386,083**	325,215
	3,484,410	2,365,202

Gross profit against this income was £1,724,168 (FY19: £1,278,607) and trade is primarily B2B.

During the year to 30 September 2020, sales of £1,937,991 were made to three customers (the largest - £876,936, the second largest - £774,941 and the third largest - £286,114) accounting for 56% of total revenue (2019: sales of £1,539,850 were made to three customers (the largest customer - £587,012 and the second largest - £566,860 and the third largest - £385,977) accounting for 65% of total revenue).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. Revenue (Continued)

	2020 £	2019 £
Contract assets		
At 1 October 2019	**8,022**	17,828
Transfers from contract assets to trade receivables	**(8,022)**	(17,828)
Excess of revenue recognised over invoice amount	**3,745**	8,022
At 30 September 2020	**3,745**	8,022

Contract assets are shown in note 14.

	2020 £	2019 £
Contract Liabilities		
At 1 October 2019	**620,333**	151,055
Contract liabilities recognised as revenue in the period	**(578,321)**	(134,229)
Deposits received in advance of performance obligations	**162,627**	603,507
At 30 September 2020	**204,640**	620,233

Contract liabilities are shown in note 16.

4. Operating Profit

	2020 £	2019 £
Operating Profit is stated after charging the following:		
Depreciation of property, plant and equipment	**9,414**	13,482
Impairment of intangible assets	**12,049**	10,458
Operating leases	**-**	41,653
Auditors' remuneration		
Audit – Subsidiary	**21,000**	17,500
Audit – Company	**9,000**	7,500
Other services	**5,406**	4,673
Cost of inventories recognised as an expense (included in cost of sales)	**1,514,461**	887,366
Exchange rate gain/(loss)	**19,085**	4,391

5. Information Regarding Directors And Employees

	Group		Company	
	2020	2019	**2020**	2019
	£	£	**£**	£
Total Employment Costs				
Wages and salaries	**1,040,645**	1,019,877	**308,801**	320,899
Social security costs	**107,915**	109,844	**-**	-
Pension costs	**42,555**	43,706	**16,109**	15,499
Share-based payments (option scheme)	**3,877**	5,364	**3,112**	4,508
	1,194,991	1,178,791	**328,022**	340,906
Directors' emoluments				
Management remuneration	**275,047**	287,725	**275,047**	287,725
Fees as Directors	**33,754**	33,174	**33,754**	33,174
Pension contributions	**16,109**	15,499	**16,109**	15,499
Share-based payments (option scheme)	**3,112**	4,508	**3,112**	4,508
	328,022	340,906	**328,022**	340,906
The amounts paid in respect of the highest paid Director are as follows:				
Emoluments	**113,959**	113,906	**113,959**	113,906
	Number	Number	**Number**	Number
Average number of persons employed (including Directors)				
Accounts and administration	**2**	2	**-**	-
Technical	**13**	14	**-**	-
Directors	**5**	5	**5**	5
	20	21	**5**	5
Number of Directors accruing benefits under:				
Defined contribution pension scheme	**2**	2	**2**	2

During the year, Government assistance of £51,054 was received in the form of claims made through the Coronavirus Job Retention Scheme. Total employment costs disclosed above are shown gross of this figure.

Directors' remuneration is detailed within the Directors' Remuneration Report set out on pages 26 to 27.

Related party transactions are disclosed in note 20.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

6. Tax On Results On Ordinary Activities

a) Analysis of credit in the year

	2020 £	2019 £
Current tax		
Current tax on profit/losses for the year	**32,310**	64,133
Deferred tax charge for the year (note 12)	**(7,150)**	(30,194)
Total current tax (note 6b)	**25,160**	33,939

The deferred tax asset of £nil (2019: £7,150) was recognised in the year as Directors considered that the Group will not be able to utilise brought forward tax losses within the next twelve months due to the potential impact of COVID-19.

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

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	**112,795**	(401,811)
Tax on profit/(loss) on ordinary activities at 19% (2019:19%)	**21,431**	(76,344)
Being the effects of		
Disallowable Expenditure	**764**	908
Enhanced R&D relief	**(54,947)**	(47,499)
Other timing differences	**8,315**	4,404
Surrender of tax losses for R&D tax credit refund	**32,310**	64,133
Losses carried forward not recognised as deferred assets	**17,287**	88,337
Actual tax credit for the year (note 6a)	**25,160**	33,939

7. Earnings Per Share

	2020 £	2019 £
Profit/(loss) for the year	**137,955**	(367,872)
Weighted average number of ordinary shares in issue	**136,354,577**	136,354,577
Number of diluted shares	**136,463,866**	136,354,577
Basic loss per share	**0.10p**	(0.27p)
Diluted loss per share	**0.10p**	(0.27p)

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are shares issued under the Company's Enterprise Management Incentive ('EMI') scheme and options issued under the Company's Unapproved scheme. The share options could potentially dilute basic earnings per share in the future, but were not included in a calculation of diluted earnings per share in the current year. This is because the exercise price of the share options is below the average share price in the year and are therefore considered to be antidilutive.

8. Intangible Assets

The Group's intangible assets comprises of software and licences relating to business and accounting systems.

Group	Business Software £	Total £
Cost		
At 1 October 2018	19,958	19,958
Additions	16,915	16,915
At 30 September 2019	**36,873**	**36,873**
Additions	**4,555**	**4,555**
At 30 September 2020	**41,428**	**41,428**
Amortisation		
At 1 October 2018	1,081	1,081
Provided during the year	10,458	10,458
At 30 September 2019	**11,539**	**11,539**
Provided during the year	**12,049**	**12,049**
At 30 September 2020	**23,588**	**23,588**
Net book value		
At 30 September 2020	**17,839**	**17,839**
At 30 September 2019	25,334	25,334

9. Property, Plant And Equipment

Group	Computer equipment £	Demonstration equipment £	Plant and equipment £	Total £
Cost				
At 1 October 2018	110,212	76,044	102,271	288,527
Additions	9,691	-	299	9,990
At 30 September 2019	**119,903**	**76,044**	**102,570**	**298,517**
Additions	**1,810**	**-**	**3,225**	**5,035**
At 30 September 2020	**121,713**	**76,044**	**105,795**	**303,552**
Depreciation				
At 1 October 2018	96,575	76,044	100,841	273,460
Provided during the year	11,986	-	1,496	13,482
At 30 September 2019	**108,561**	**76,044**	**102,337**	**286,942**
Provided during the year	**8,463**	**-**	**951**	**9,414**
At 30 September 2020	**117,024**	**76,044**	**103,288**	**296,356**
Net book value				
At 30 September 2020	**4,690**	**-**	**2,507**	**7,197**
At 30 September 2019	11,342	-	233	11,575

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Leases

Right of Use Asset	Property	Total
	£	£
At 1 October 2019	78,933	78,933
Additions	-	-
Amortisation	(39,269)	(39,269)
At 30 September 2020	**39,664**	**39,664**

Lease Liability		
At 1 October 2019	78,933	78,933
Additions	-	-
Interest Payment	2,253	2,253
Lease Payment	(42,664)	(42,664)
At 30 September 2020	**38,522**	**38,522**

The maturity of the lease liability is due within 12 months.

Transition method and practical expedients utilised

The Group adopted IFRS 16 Leases using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 October 2019) without restatement of comparative figures and elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

As a lessee, the Group previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for its leases.

The following table reconciles the minimum lease commitments disclosed in the Group's 30 September 2019 annual financial statements to the amount of lease liabilities recognised on 1 October 2019:

	Total
	£
Minimum operating lease commitment fixed element at 30 September 2019	73,000
Minimum operating lease commitment variable element at 30 September 2019	9,328
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(3,395)
Liability at 1 October 2019	**78,933**

11. Investments

Subsidiary undertakings – Company

	2020 £	2019 £
Cost	**51,001**	51,001
Capital contribution to subsidiary undertakings	**21,376**	20,611
Impairment	**(51,000)**	(51,000)
Balance at 30 September	**21,377**	20,612

The impairment provision relates solely to Image Scan Limited (formerly Stereo Scan Limited).

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 2020 £	Investment shares at cost 2019 £
Image Scan Ltd (previously Stereo Scan Ltd)	Development of advanced imaging technology	England	100%	51,000	51,000
3DX-Ray Ltd	Exploitation of advanced imaging technology	England	100%	1	1

The registered office of all subsidiary undertakings is 16-18 Hayhill Industrial Estate, Sileby Road, Barrow-Upon-Soar, Leicestershire, LE12 8LD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

12. Deferred Tax Asset

The Group has unused tax losses of £5.7m (2019: £5.7m) and other temporary timing differences amounting to £nil (2019: £nil). Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movement on the deferred tax account is shown below:

Deferred tax	**2020**	2019
	£	£
At 1 October 2019	**7,150**	37,344
Recognised in the year	**(7,150)**	(30,194)
At 30 September 2020	**-**	7,150

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date.

The Finance Act 2019, sets the Corporation Tax main rate at 19% for the financial year beginning 1 April 2020 and 1 April 2021. These changes to the future tax rate were substantively enacted at the balance sheet date. The provision for deferred tax in the financial statements has been based upon the relevant rate to the timing differences are expected to reverse.

The level of deferred tax asset recognised is subject to estimation uncertainty and has been based on prudent forecasts and current year profitability levels. Sensitising the base used in the estimates by any reasonably measure (+ or – 25%) would not result in material changes to the level of the deferred tax asset recognised.

13. Inventories

	Group		**Company**	
	2020	2019	**2020**	2019
	£	£	**£**	£
Raw materials	**147,843**	439,853	**-**	-
Work in progress	**183,071**	218,391	**-**	-
Finished goods	**119,660**	124,845	**-**	-
	450,574	783,089	**-**	-

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

During the year, a provision was reduced against demonstration equipment and other stock by £39,137 (2019: increased by £47,628) in the Group accounts.

14. Trade And Other Receivables

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade receivables	**139,002**	377,772		-
Accrued income on contracts	**3,745**	8,022		-
Other receivables and prepayments	**135,406**	263,410	**34,247**	33,627
VAT recoverable	**36,372**	14,755	**3,500**	663
Amounts due from subsidiary undertakings	**-**	-	**1,317,544**	1,213,535
	314,525	663,959	**1,355,291**	1,247,825

At 30 September 2020, the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

	Group	Up to 3 months	3 to 6 months	Over 6 months
Expected loss rate		0.001%	**0.001%**	0.001%
Gross carrying amount	**30,338**	16,895	**4,900**	8,543
Loss provision	**30**	17	**4**	9

An amount of £108k (2019: £44k) within Trade Receivables is classified as current and therefore at the balance sheet date is not due.

Loss provision is considered immaterial and therefore has not been provided for. All gross carrying amounts relate to customers with no default history.

At 30 September 2020, the lifetime expected credit loss provision for amounts due for group undertakings is as follows:

Company	**2020 £**	2019 £
Amounts recoverable from Group undertakings	**9,963,514**	9,859,505
Expected credit loss brought forward	**(8,645,970)**	(8,177,892)
Reduction/(impairment) in financial year	**-**	(468,078)
Expected credit loss carried forward	**(8,645,970)**	(8,645,970)
At 30 September 2020	**1,317,544**	1,213,535

The details regarding the intercompany debtor can be found in Transactions with Related Parties (note 20). In assessing the recoverable amount from Group undertakings, a number of scenarios have been considered. These range from subsidiary undertakings performing in line with forecasts and below forecasts.

The amounts due from the subsidiary undertakings are due on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

15. Cash And Cash Equivalents

	Group		Company	
	2020	2019	**2020**	2019
	£	£	**£**	£
Cash and cash equivalents	**1,409,494**	640,489	**28,202**	35,726

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.

16. Trade And Other Payables

Amounts falling due within one year	Group		Company	
	2020	2019	**2020**	2019
	£	£	**£**	£
Trade payables	**252,636**	111,058	**6,224**	297
Contract Liabilities	**204,640**	620,233	**-**	-
Other tax and social security	**27,754**	30,273	**-**	-
Accruals	**222,600**	86,473	**35,120**	36,307
	707,630	848,037	**41,344**	36,604

At 30 September 2020 accruals included pension contributions amounting to £nil (2019: £nil).

In line with IFRS 15, a practical expedient has been applied to the closing contract liabilities where the remaining performance obligations are due to be satisfied within the next 12 months. These amount to £173,159 at 30 September 2020.

Sales of extended warranties held as contract liabilities amounts to £31,481. The analysis of when the remaining performance obligations will be satisfied is as follows:

	Within one year	Within 1 – 2 years	Within 2 – 5 years	Total
	£	£	£	£
Extended warranties	4,534	6,801	20,146	31,481
	4,534	6,801	20,146	31,481

17. Provisions For Liabilities And Charges

Group warranty provision	**2020**	2019
	£	£
At 1 October 2019	**16,000**	34,999
Provision in year	**58,591**	17,112
Used in year	**(16,618)**	(14,768)
Released during the year	**(24,223)**	(21,343)
At 30 September 2020	**33,750**	16,000

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

18. Bank Loan

	2020 £	2019 £
At 30 September 2020	**50,000**	-

In the year the Group took advantage of the Government bounce bank loan. It is intended to be repaid in 2021 but has a contractual maturity as set out below.

	Due within one year £	Due within 1–2 years £	Due within 2-5 years £	Due after 5 years £	Total £
Bank loan	3,147	9,598	30,277	6,978	50,000

19. Share Capital

	2020 £	2019 £
Authorised		
200,000,000 ordinary shares of 1 pence each	**2,000,000**	2,000,000
Called up, allotted and fully paid		
136,354,577 (2019: 136,354,577) ordinary shares of 1 pence each	**1,363,546**	1,363,546

During the year, the company made the no issues of shares:

The following share options are outstanding at 30 September 2020:

Image Scan Share Option Scheme	Date of issue	Quantity	Exercise price	Fair value	Vesting period	Expiry date
Enterprise Management Incentive	17/09/2014	2,700,000	2.0p	15,215	3 years	17/09/2024
Unapproved Scheme	11/04/2014	1,900,000	3.375p	16,319	3 years	11/04/2024
Unapproved Scheme	22/09/2014	400,000	2.5p	2,513	3 years	22/09/2024
Enterprise Management Incentive	22/12/2015	3,150,000	2.25p	14,040	3 years	22/12/2025
Unapproved Scheme	22/12/2015	400,000	2.25p	1,783	3 years	22/12/2025
Enterprise Management Incentive	04/07/2017	1,370,000	6.25p	15,080	3 years	04/07/2027
Unapproved Scheme	04/07/2017	100,000	6.25p	1,101	3 years	04/07/2027

Share option movement

Details of the number of share options and the weighted average exercise price ('WAEP') outstanding during the year are as follows:

	2020 £	2020 WAEP	2019 £	2019 WAEP
At 1 October 2019	**10,405,000**	**3.03**	10,475,000	3.03
Options lapsed in year	**(50,000)**	**2.25**	(50,000)	2.25
Options lapsed in year	**(315,000)**	**4.00**	-	-
Options lapsed in year	**(20,000)**	**6.25**	(20,000)	6.25
At 30 September 2020	**10,020,000**	**2.99**	10,405,000	3.03

The weighted average remaining contractual life of share options outstanding at the year end was 4.17 years (2019: 5.10 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

19. Share Capital (Continued)

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	2.2%
Expected dividends	Zero

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

	2020 £	2019 £
Employee benefits (note 5)	**3,877**	5,364

20. Transactions With Related Parties

During the year, Image Scan Holdings plc provided management services to the value of £596,681 (2019: £582,746) to its subsidiary company 3DX-Ray Limited.

At the year end the Company was owed the following amounts by subsidiary companies against which a bad debt provision of £8,674,279 (2019: £8,674,279) is held:

	2020 £	2019 £
3DX-Ray Ltd	**9,076,298**	8,972,288
Image Scan Ltd	**887,217**	887,217

The bad debt repaid to 3DX-Ray Ltd's debtor balance during the period is £nil (2019: charged £496,386).

IXO Machinery Equipment (Shanghai) Co Ltd and Aerosino Corporation Inc, are considered to be related parties as they are related to Rise Step International Limited, which is itself a substantial shareholder of the Company. IXO Machinery Equipment (Shanghai) Co Ltd and Aerosino Corporation Inc, provided goods to the value of £nil (2019: £13,810) and £10,704 (2019: £13,830) respectively. An amount of £nil (2019: £8,791) is due to Aerosino Corporation Inc, and is not included in trade payables at the year end.

AVS Partners Limited is considered to be a related party by virtue of William Mawer having a material interest in, and being a director in, the company. AVS Partners Limited provided consultancy services to the value of £1,464 (2019: £1,535). An amount of £304 (2019: £378) is included in trade payables at the year end.

During the year an amount of £250 (2019: £7,103) was paid to Mr P Mawer is respect of consultancy services provided to the Group. Mr P Mawer is considered to be a related party by virtue of him being classified as an immediate family member of William Mawer. An amount of £nil was due to Mr P Mawer at the end of the year.

The directors have the authority and responsibility for planning, directing and controlling the activities of the Group (and the Company), and they are therefore the key management personnel. Their remuneration for the year was £366,520 (2019: £377,512).

21. Financial Instruments

The principal financial assets of the Group are bank balances, trade and other receivables. The main purpose of these financial instruments is to generate sufficient working capital for the Group to continue its operations. The Group's principal financial liabilities are trade and other payables. Given the short-term nature of these assets and liabilities the carrying value is considered to be an approximation to fair value.

Financial instruments by category

Financial assets	Group 2020 £	2019 £	Company 2020 £	2019 £
Cash and cash equivalents	**1,409,494**	640,489	**28,202**	35,726
Trade and other receivables	**168,679**	498,663	**1,372,512**	1,185,227
	1,578,173	1,139,152	**1,400,714**	1,220,953

Financial liabilities	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade and other payables	**475,236**	197,531	**41,344**	36,604
Lease liability	**38,522**	-	**-**	-
Bank loan	**50,000**	-	**-**	-
	563,758	197,531	**41,344**	36,604

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below. All classes relate to financial assets classified as loans and receivables.

The credit risk is primarily attributable to trade receivables. The Group's policy is to operate contracts on a cash positive basis. Payment terms typically require a substantial deposit on placement of the order and a majority of the invoice paid prior to shipment as set out in the Strategic report on pages 8 to 11.

The Company's exposure to credit risk is primarily limited to amounts due from subsidiary undertakings. The Company's policy is to review annually the trading prospects of the subsidiary compared to the carrying value of the net intercompany balance. Whilst there has been no significant changes in the credit risk associated with this, it is considered to be stage 3 credit impaired as defined by IFRS 9 Financial Instruments. As such the life time expected credit loss has been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

21. Financial Instruments (Continued)

Liquidity risk

The Group's and Company's funding strategy is to generate sufficient working capital to settle liabilities as they fall due. There is no external debt. Liquidity risk is managed through cash flow forecasting to ensure working capital requirements are identified promptly.

The Group's financial liabilities have contractual maturities as follows:

Financial Liability Profile

	2020 £	2019 £
Due in less than one month	**166,571**	82,084
Due between one and three months	**267,264**	71,658
Due between three months and one year	**83,070**	43,789
Due after one year	**46,853**	-
	563,758	197,531

Currency profile

At 30 September 2020 amounted owed included US$17,110 (2019: US$ nil) and amounts payable included US$148,957 and Euro nil (2019: US$10,800 and EUR 1,722). All other financial assets and liabilities are denominated in Sterling.

Currency risk is not considered to be significant for the Group.

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 the annual general meeting of the Company will be held at the offices of Image Scan Holdings plc, on Tuesday 23 February 2021 at 11.00 a.m. The annual general meeting of the Company will be held subject to the provisions of Section A of this Notice. This means that if the UK Government's restrictions on travel and gatherings (to combat COVID-19) are still in place at the date of the annual general meeting, you must not attend the meeting and may only vote via proxy. Section A of this Notice contains more details on the arrangements which will apply in such a scenario.

The annual general meeting will be held for the following purposes:

To consider and, if thought fit, pass the following resolutions of which resolutions 1-5 will be proposed as ordinary resolutions:

Ordinary business

1. To receive and adopt the financial statements for the year ended 30 September 2020 together with the reports of the Directors (including the strategic report) and auditors thereon.

2. To receive and adopt the remuneration report contained within the annual report for the year ended 30 September 2020.

3. To re-elect as a Director T Jackson.

4. To re-elect as a Director S Atwell King.

5. To re-appoint BDO LLP as auditors and to authorise the Directors to fix their remuneration.

By order of the Board

Sarah Atwell-King

Company Secretary

03 December 2020

NOTICE AND AGENDA OF ANNUAL GENERAL MEETING (CONTINUED)

The following notes represent the standard AGM Notice notes but, please note, In accordance with the Government's legislation and related restrictions in response to COVID-19, and to minimise public health risks, the 2021 Annual General Meeting will be held as a closed meeting (if the restrictions remain in place) whereby Shareholders will not be permitted to attend (other than a minimum number of persons who are required to attend ensure the meeting is quorate and can conduct the business of the meeting). As such, the Company encourages all shareholders to appoint the Chairman of the Annual General Meeting to act as their proxy as any other named person will not be permitted to attend the meeting.

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 21 February 2021 or, if this Meeting is adjourned, at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to vote at the Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend (if allowed), speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. **Shareholders or their appointed representative(s) (other than the Chairman of the Meeting) will not be permitted to attend the Annual General Meeting. Accordingly Shareholders are encouraged to appoint the Chairman of the Meeting only as their Proxy.**
3. A proxy does not need to be a member of the Company. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. **Shareholders or their appointed representative(s) (other than the Chairman of the Meeting) will not be permitted to attend the Annual General Meeting. Accordingly Shareholders are encouraged to appoint the Chairman of the Meeting only as their Proxy.**
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD. Tel No. 0121 585 1131 (calls are charged at your network provider's standard rate. Lines are open 9.00 a.m. to 5.00 p.m. from Monday to Friday) or you may photocopy the proxy form with this notice. Please indicate in the box provided the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of the multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed and signed, sent or delivered to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD and received by Neville Registrars Limited no later than 11.00 a.m. on 21 February 2021. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Neville Registrars Limited ID is 7RA11.

Section A

COVID-19
Provisions

1. The provisions of this Section A shall apply in the event that the UK Government's restrictions on travel and/or public gatherings in response to the COVID-19 pandemic remain in force at the date of the annual general meeting.
2. If the restrictions on both travel and gatherings are lifted before the date of the annual general meeting, this Section A will not apply.
3. Restrictions means the restrictions publicised on the UK Government's website https://www.gov.uk/coronavirus and introduced under the Public Health (Control of Disease) Act 1984, the Coronavirus Act 2020 and/or any subordinate or successor legislation thereto.
4. The provisions of this Section A are made through the Chairman's common law powers, for the purpose of ensuring the safe, orderly and lawful conduct of the annual general meeting.
5. Attendance

   5.1 Members must not attend the annual general meeting.

   5.2 At least two directors who are members (one of whom will be the Chairman or, if he is unable to attend for any reason, an acting Chairman appointed by the board) will attend the annual general meeting in order to form a quorum.

   5.3 The Company Secretary will attend the annual general meeting.

   5.4 No other persons will be admitted to the annual general meeting.

6. Voting

   6.1 In order to vote on the resolutions, members must do so via a proxy form or through CREST if they are registered to do so.

   6.2 The notes set out on the previous page provide further details on how to vote via proxy.

7. Questions for the board

   7.1 Questions may be submitted to the board in writing (via email or post) in advance of the annual general meeting.

   7.2 Questions submitted via post should be sent to the Company's registered office; emailed questions should be sent to the following email address: **AGM2020@ish.co.uk**

   7.3 Written responses to any questions submitted will be circulated after the annual general meeting to all persons who have submitted a question.

   7.4 Questions must be received 48 hours in advance of the annual general meeting.

   7.5. The board reserves the right (acting in good faith) to disregard any questions which appear to be frivolous, vexatious or unrelated to the Company or the business of the annual general meeting.

   7.6. As with questions asked in person, the board's response will be subject to any prevailing obligations of confidence and/or stock exchange rules.

Any queries regarding the application or operation of this Section A should be directed to the Company in writing to the postal address or email address specified above.

NOTES

IMAGE SCAN HOLDINGS PLC
16–18 Hayhill Industrial Estate
Sileby Road
Barrow-Upon-Soar
Leicestershire LE12 8LD

Tel: +44 (0) 1509 817 400
Fax: +44 (0) 1509 817 401

ir@ish.co.uk
www.ish.co.uk