Company Registration No. 03062983
England and Wales

IMAGE SCAN HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
30 September 2021

CONTENTS

HIGHLIGHTS

> While sales continued to be impacted by COVID -19, careful management of overheads allowed the business to make a profit while continuing with its ambitious new product development programme.

OPERATIONAL HEADLINES

- Large portable X-ray order for an Asian government
- First orders for new cabinet X-ray systems
- First orders for government customers in the USA and Canada
- Portable X-ray orders from the Royal Air Force and a UK police force
- New suite of measurement techniques delivered to an industrial customer
- Overall activity level continued to be impacted by COVID-19

FINANCIAL HEADLINES

- Order intake increased to £2.8m (2020: £2.4m)
- Sales of £2.9m following subdued first half (2020: £3.5m).
- Gross margin increased to 53% (2020: 49%)
- Tight control of overheads, reduced by 18% to £1.3m (2020: £1.6m)
- Pre-tax trading profit of £189k (2020: £112k)
- Year-end order book of £516k (2020: £633k)
- Strong year-end cash balance of £1.2m (2020: £1.4m)

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
Two Snowhill
Birmingham
B4 6GA

CHAIRMAN'S STATEMENT

> Although COVID-19 continued to impact its staff, its customers and its supply chains, the Group grew its product range and expanded into new markets, while making a profit for the year.

Overview

I am pleased to announce that the Group has been profitable for the second year in succession. Whereas COVID-19 only impacted the second half of last year, in FY2021 the pandemic has been a constant presence for the full year, impacting us across the full range of our activities. Our sales teams have been unable to carry out face to face customer demonstrations, trade shows have been cancelled, supply chains have been disrupted and customer spending has been diverted. It is a testimony to the resilience of the Image Scan team that, despite this adverse environment, the value of orders won has increased, new products have found their first customers, important new markets have been opened, and the research and development programme has pushed ahead.

Our Strategy

The Group's short-term strategy continues to be 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 develop profitable niche security segments for which it can create or source highly differentiated products that it can take to market at good margins.

Where it is not cost-effective to entirely develop a product ourselves, we will look to form partnerships with other companies in one of two models: collaborations, within which technology resources of multiple companies are combined to create new products; and factoring, where we will use our extensive partner network to sell carefully selected third party products to our customers. This allows us to further expand the product range and increase sales and service revenues 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 and conveyor X-ray systems create new opportunities in building security, mail screening, prisons and sports stadia. X-ray systems and will increase 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 we have recently delivered a suite of sophisticated new measurement methods for inspection of catalytic converters. We will continue to look for new customers in this sector, while selectively investigating opportunities for our unique inspection and measurement technologies 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.

Succession Planning

From 1 January 2022, I will relinquish the role of Chief Executive and take up a position as Executive Chairman. I will continue to take responsibility for strategy, investor relations and product development.

At the same time, Vincent Deery will take up a position as Interim CEO, adding operations and related matters to his current responsibilities for sales and service.

Sarah Atwell King will continue as Finance Director and Company Secretary, while leading on corporate governance, risk management and process improvement. Tim Jackson and Dr Richard Leaver will remain in place as Non-Executive Directors.

Over the next 6 months, the Board will support Vince in the Interim CEO role, whilst assessing the optimal leadership structure to drive the Group forwards and may we announce further changes at the end of that period.

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)

The Outlook for Image Scan

This year, the impact of the COVID-19 pandemic has been felt throughout a full financial year and infection rates in the UK and elsewhere remain high. Only now are security technology trade shows and travel for customer demonstrations, two important parts of our product sales process, starting to resume. Servicing of industrial X-ray machines, an important source of recurring revenue, has also been impacted and the team have done an exceptional job to retain this revenue and keep our customers happy. It will be at least a further six months before travel-based activities such as these return to something like pre-pandemic levels.

The year has continued to see delays in the larger Government procurements of portable X-ray systems. However, a number of these programmes are now underway, and we are participating in the early phases of several Government competitions. The on-going investment in our portable X-ray products and the software which supports them should make us strong contenders in these programmes. The portable X-ray market is increasingly competitive, with several new players emerging in recent years, and this drives both our continued evolution of our ThreatScan systems and our diversification into other X-ray screening systems and markets. We expect the ongoing revenue from routine portable X-ray purchases to be steady, with year-on-year growth dependant on the larger system procurements. The Group's success in winning its first portable X-ray contracts in the US and Canada starts to build a customer base in these important markets, increasing our visibility and giving us a platform for further growth.

The Group has won its first customers for the AXIS-CXi cabinet X-ray system and will launch the first versions of the new AXIS conveyor X-ray range early in FY2022. Revenue contribution from these systems will increase over the next few years. Our manufacturing partner for conveyor X-ray has made a wide range or screening systems available to us and we will selectively add these to our portfolio. A key benefit of achieving installations for cabinet and conveyor systems is the legal requirement for regular servicing that will, over time, increase our recurring after-market revenues.

Although the automotive sector has been heavily impacted by the pandemic, the Group has continued to receive orders for new industrial inspection systems in FY2021, with demand more robust than anticipated. We expect tighter emissions control legislation to continue to drive demand for installations in India and China and there may be opportunities to replace some older systems. The successful development of a new suite of measurement techniques creates opportunities for further deployment with existing customers and gives us stronger arguments for adoption of X-ray screening by other catalytic converter manufacturers. We recognise that with use of petrol and diesel engines set to decline, we need to find alternative outlets for our industrial inspection technology, and this will be a focus over the medium term.

Global supply chains are currently suffering considerable disruption caused by the combination of COVID-19, manufacturing capacity limitations, sea freight shortages and, in the case of the UK, BREXIT, Image Scan is not immune from these global issues and continued diligence will be required if potential increases to product costs and customer lead times are to be avoided.

As anticipated, the past year has been challenging, and some of those challenges continue to impact our activities. However, we enter the new financial year with a strong cash balance, a rapidly expanding product range and important new customers. These are reasons for us to be optimistic for our ability to achieve organic growth in revenues and profits as market activity starts to 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 providing both protection from market shocks and stronger amortisation of the relatively high fixed costs associated with a stock market listing.

William Mawer
Chairman
6 December 2021

New Customers

The year has seen first sales to important new customers in the UK, Canada, USA and Australia. Our systems are being selected by police and military bomb squads who operate in the most demanding environment.

More flexibility: higher value sales. ThreatScan LSC

The ThreatScan LSC system, with its large and small detection panels, backpack and flexible range of ancillaries, offers great deployment flexibility for the user. Customers are increasingly selecting this high-value system.

STRATEGIC REPORT

> Winning orders from new customers and tight control of overheads led to a profitable year.

Business Review

The business started the year with a relatively weak order book, which impacted first half performance, and the continuing effect of COVID-19 could be seen in delays to government procurement programmes. Although order intake improved as the year progressed, the number of portable X-ray units sold declined by 20% compared to the prior year.

The sales process continued to be impacted by the lack of security technology trade exhibitions and the inability to travel abroad to carry out live customer demonstrations. These challenges were partially overcome by working closely with our international distributors, improved on-line marketing, and the development of a new demonstration facility, fully equipped for on-line demonstrations, at the Group's site near Loughborough. Some important new customers were acquired, including regional and national bomb squads in Australia, the UK, Canada, and the USA. Since the year end, an additional order has been received from a federal agency in the USA, further vindication of our recruitment of an ex-US Marine Corps bomb technician to take our products to that market.

The customer service team has also been subjected to travel restrictions that are only now starting to be released. With over 50 heavily used industrial screening systems deployed from Mexico to Macedonia and from South Africa to Shanghai, the team has had to find inventive solutions to carry out system installation, training, routine maintenance, and repairs. The fact that all our customer support contracts have been renewed through this period is testimony to the combination of remote diagnostics, on-line training, and new service partners put in place by the team.

Throughout the period, global supply chains have been impacted by a variety of factors and, over the past year we have had to deal with shortages in items as varied as microprocessors and packaging materials. So far, these risks have been mitigated successfully, though it may, in future, be necessary to hold strategic stock of key components.

A suite of new measurement techniques has been developed for our MDXi industrial inspection systems and delivered to the customer. Employment of part of our software team on this project has had some impact on internally funded product development but that impact is now being recovered. It is hoped these new techniques will lead to wider adoption of our industrial inspection systems.

The new product development programme continued to make good progress and launches of both portable and conveyor X-ray systems are anticipated for early in FY 2022.

Financial Results

After a slow start, order intake improved as the year progressed and included a 30-unit order for portable systems for an Asian customer. The order came through one of several reliable partners in the region who supply our systems to a variety of Government agencies in their territories. Order intake in the year was up by 16% to £2.8m (2020: £2.4m). Sales followed a similar pattern, with second half sales over twice those of the first half. Total sales for the full year were £2.9m (2020: £3.5m). Despite the impact of the pandemic on overseas travel, service revenue remained constant. Strong margins on portable X-ray sales pushed overall margins to 53% (2020: 49%).

Overheads for the year declined by 18% to £1.3m (2020: £1.6m). Contributors to this decline included reduced travel and trade shows, selective use of the Government furlough scheme in quiet periods, lower R&D spend, with qualifying costs being capitalised under IAS38. The R&D spend reduction was due to less money being spent on prototypes and lower software spend, as engineer time was allocated to externally funded development projects. The combination of strong margins and lower overheads led to the Group recording a pre-tax trading profit for the year of £189k (2020: £112k).

Much of the product development effort to the Group is now focussed on development of new product ranges, such as cabinet and conveyor X-ray systems which are expected to generate new revenue streams for the business. The Group is therefore in a position to apply the policy of capitalising its new product development spend under IAS38 Intangible Assets. Costs of £96k (2020: £nil) have been capitalised resulting in the reportable pre-tax profit for the year of £189k.

The balance sheet strengthened as a result of the financial performance of the business and cash balances remained strong but fell in the year to £1.2m (2020: £1.4m). This was due to changes in the working capital mix, due to the commercial terms for two contracts with government bodies and the continuing reduction in stock balances, together with the early repayment of the Bounce Back Loan. The new right of use asset and lease liability of £236k represents the property which the Group conducts its trading activities from, as well as being it its registered office. The application of IFRS 16 is provided in more detail in the estimates and judgements section of Note 2 of the financial statements.

The Group finished the year with an order book of £516k (2020: £633k) which has the potential to be fulfilled in the first quarter.

Adapting the Operation of the Business

In common with other manufacturing companies, Image Scan has had to adapt its operations in the light of the ongoing threat posed by the COVID-19 pandemic. The end of FY2021 coincided with the gradual opening of international travel, but infection levels in the UK remain high. The rate of serious illness has been eased by high vaccination take up in the UK. Since the year end the situation has again started to become more serious and the Board continues to monitor it carefully.

The Group has invested in its facility to increase safety through improving ventilation, the provision of screens between workspaces, and development of clear protocols for visitors.

It has started to implement a flexible working regime for some categories of staff, combining working from home with a specified minimum number of days in the facility. We look to regain the benefits of face-to-face interaction within teams, while keeping control on the total number of staff in the building. We will remain flexible and will carefully monitor future developments.

Corporate Governance

The Group continues to adopt 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

	2021	2020	2019	2018
Order intake	£2.8m	£2.4m	£3.9m	£2.8m
Turnover	£2.9m	£3.5m	£2.4m	£3.5m
Gross margin	53%	49%	54%	47%

Share price performance

The highest and lowest share prices during the year were 4.40 pence and 1.90 pence per share respectively. The closing mid-market price was 2.85 pence per share.

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 most scenarios in order to pass a special resolution.	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.	The expansion of the product range and diversification of market should "flatten out" the pattern of order intake. Working capital is carefully monitored through detailed cash flow forecasts, monthly by the Board and considered at weekly management meetings. The 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.
Competitive market	
The portable X-ray market is competitive with multiple players and competing technologies	Programme of continuous innovation and focussed marketing to ensure product differentiation. Early engagement with partners and customers to ensure the benefits of the Group's technologies are recognised in procurement decisions.
Disruption of global supply chains	
A variety of issues are leading to global and local shortages and delays to supply of key commodities and components.	The Group constantly reviews future availability of commodities and components against the sales forecast. It will selectively hold higher than normal stocks of key items where shortages are anticipated. It is working with key suppliers to anticipate and mitigate risks at second and third tier levels in the supply chain.
COVID-19	
The impact of the global pandemic on the Group's ability to operate and win orders and conduct its R&D programmes	The Group implements Government guidelines in its facility and the Board reviews its COVID-19 actions monthly.

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 and, where possible, receipts of currency are matched against purchases in currency. 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
6 December 2021

DIRECTOR'S REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2021.

Directors

The Directors who served during the year and up to the date of this report 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
C 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 do not recommend the payment of a dividend.

Research And Development

Research and development expenditure was mainly focused on developing the portable X-ray inspection system as set out in the Strategic Report. Costs in the year of £146,487 (2020: £299,804) were charged to the profit and loss account with £96,096 (2020: £nil) capitalised.

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 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for AIM companies.

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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Going concern

The Directors have reviewed the going concern assessment for the Group and the Parent Company for the year ended 30 September 2021. Future prospects, principal risks and uncertainties and the impact of COVID-19 is set out in the Chairman's Statement on page 5 of this report and the Strategic Report on pages 8 to 11.

Based on the Board approved forecasts for FY2022 and FY2023, and consideration of reasonably foreseeable events and circumstances, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's trading, cash flows, available cash 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 has traded profitably through the pandemic, successfully adopting its business to the changing circumstances.
- The Group has generated profits in both FY2020 and FY2021 and is forecast to continue to do so.
- The Group's financial resources at the time of signing this report, combined with the committed order book and reasonable assumptions about future renewals of the support contracts, support the ability to absorb a significant reduction in product revenues, both compared with the budgets and forecasts and prior years, without exhausting the cash resources.
- The Group's financial plans and commitments, including product development, capital commitments, stock purchases include variable/discretionary costs which could be curtailed if orders fell below forecast levels.
- The principal 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 risk is the unpredictability of demand from customers. Whilst considered extremely unlikely based on current trading and order enquiry levels, a reverse stress test has been carried out to model the reduction in revenue that could be absorbed. This indicates that, without resorting to other cost reduction measures, a reduction in revenue of c50% could be absorbed before available cash resources would be exhausted within the next 12 months.

The Directors have also reviewed the supply chain and are satisfied that sufficient mitigating actions have been put in place including 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 unknowable events on future activity levels and cash flows, they are confident that there are no reasonably foreseeable events or circumstances which would lead to the current cash resources being exhausted and accordingly there are no matters that give rise to a material uncertainty. On this basis the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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
6 December 2021

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 AIM Rules, 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 consider 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 30 September 2021.

WR Mawer
Chairman, Image Scan Holdings plc

CORPORATE GOVERNANCE STATEMENT

The Board ensures that the Company maintains 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 fully 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. 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 on 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 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 20 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 the Group's internal control and risk management process, are set out in the Strategic Report on pages 8 to 11.

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, the 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 to have least two independent directors. At the same time, the Board considers that 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 the Senior Independent Director. In light of the size of the Board, and the Group'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 of 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	13	→13	13	13	12	13
Audit Committee	2	2	2	→2	–	–
Remuneration Committee	2	2	→2	2	–	–
Nomination Committee	2	→2	2	2	–	–

→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 at 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 regular 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 first 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 which are reviewed regularly at Board meetings. The process focuses closely on objectives and targets for improving performance.

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. 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 makeup 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 21 and 22.

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 page 24.

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 23.

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 general meetings are 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 continue to 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 Group-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

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 financial returns and set a challenging, but realistic, target for staff. The budget set targets 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.	Shareholders, employees
New product investments	Given that it has limited resources at its disposal, the Board continued to pursue its policy of blending internal product development, and external partnerships to expand its product range. Internal R&D spend will be maintained at a similar level to previous years, with additional products sourced through other means. The partnership announced in the prior year with a company with a diverse and competitive security product range is leading to the development of new products to be launched in coming years.	All

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Decision	Considerations	Stakeholders impacted
Targeting new markets	The Board continued to fund a specialist marketing consultant in North America. During the year this started to yield benefits in the form of orders from Canadian and US Government agencies.	All
Response to COVID-19	COVID-19 was present throughout the year and the Board reviewed its response across the business monthly. Decisions were taken to manage overheads closely while protecting the new product development programme and to put in place a hybrid working policy for some categories of staff.	Employees
Supply chain issues	Disruption was experienced in global supply chains throughout the year. The Board monitored the situation closely and made decisions regarding strategic supplies of some scarce items in order to protect customer delivery times. The Group supported its key suppliers in managing their own supply chains through this period.	All

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 Group's financial reporting;
- narrative reporting and 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; and
- the external audit process – meeting the external auditors and reviewing any reports from them regarding the accounts and internal control systems.

It also oversees:

- the Group's Risk Register;
- developments in relevant legislation and regulation; and
- 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 the annual report and accounts, and received reports from the external auditor;
- reviewed the effectiveness of the Group's internal controls and the 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 provisions, stock valuation and impairment; and
- reported to the Board on the appropriateness of accounting policies and practices.

Risk management

- considered the Group's 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.

AUDIT COMMITTEE REPORT (CONTINUED)

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 risk 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 and other economic events, 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 IFRS15, 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
6 December 2021

NOMINATION COMMITTEE REPORT

Membership and attendance

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

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 twice during the year, reviewing the structure and make-up of the Board. As part of this discussion it was agreed that Mr Mawer would relinquish the role of Chief Executive Officer from 1 January and Mr Deery would take up the role of Interim Chief Executive Officer.

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
6 December 2021

REMUNERATION COMMITTEE REPORT

Membership and attendance

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

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 2020/2021;
- reviewed and approved the parameters of the Annual Bonus Plan for the Group;
- managed the Company's share option schemes
- reviewed and approved Executive Directors salaries for 2020/21; and
- reviewed performance measures for 2021/2022 for the Executive Directors

Details of the Directors' remuneration are found in the Directors' remuneration report.

Richard Leaver

Chairman of the Remuneration Committee

6 December 2021

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' remuneration report for the year ended 30 September 2021. 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 2021	Total emoluments 2020
	£	£	£	£	£	£	£
Executive							
V J Deery	100,827	-	1,803	2,132	9,148	**113,910**	113,959
W R Mawer	83,546	-	3,623	1,703	-	**88,872**	87,649
S A Atwell King	85,275	-	833	1,790	7,683	**95,581**	89,548
Non-executive							
R A Leaver	-	16,494	1,518	-	-	**18,012**	17,435
T D Jackson	-	16,494	16	-	-	**16,510**	16,320
Total 2021	**269,648**	**32,988**	**7,793**	**5,625**	**16,831**	**332,885**	324,9411
Total 2020	258,144	32,640	7,281	10,737	16,109	324,911	

This table excludes any share-based payments.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Share option schemes

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

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

The following existing options 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
6 December 2021

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

Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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 2021 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 the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate

The Directors consideration of going concern is set out in note 2 to the financial statements. Given the fast moving and ever-changing nature of the business, this assessment, and the assumptions which underpin it, increase the judgement required and level of any uncertainty over the ability of the Group and Parent Company to continue as a going concern, also impacting the disclosures in the financial statements. We have therefore determined going concern to be a Key Audit Matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and our response to the Key Audit Matter included:

- We assessed the Directors' trading and cash flow budgets and forecasts, which covered the period to 30 September 2023. This included testing the arithmetical accuracy of the model, challenging the key assumptions within the forecasts, including reviewing the value of committed order book plus ongoing support revenue in light of that achieved historically.
- We reviewed the cash headroom in the stress tests prepared by management, taking into account the available cash at the date of approval of the financial statements, and evaluating the base case forecasts against the lowest level of revenue needed to support the business for at least 12 months from the date of approval of the financial statements.

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

- We assessed the likelihood of this worst case scenario occurring, building in the understanding that we gained in relation to both the timing and quantum of the cost reduction measures that could be taken in the event that revenue falls below this lowest level of revenue needed. We also assessed whether there were any reasonably foreseeable downside sensitivities which could affect the ability of the Group and Parent Company to be able to settle their debts as they fall due in the foreseeable future; and
- We evaluated the adequacy of the disclosures in the financial statements to ensure they fairly reflect the Board's assessment and any relevant uncertainties inherent in forecasting future events.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets		
Key audit matters		2021	2020
	Revenue recognition	•	•
	Going concern	•	•
Materiality	Group financial statements as a whole £29,000 (2020: £35,000) based on 1% (2020: 1%) of revenue for the year.		

[1] These are areas which have been subject to a full scope audit by the group engagement team

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from one single location in Loughborough, UK. At the statement of financial position date, the Group consisted of the Parent Company, one trading subsidiary (3DX-Ray Limited) and a dormant subsidiary (Image Scan Limited).

The Group engagement team have carried out full scope audit procedures on the Parent Company and 3DX-Ray Limited. We focused on these entities as they were significant components relevant to the Group's financial position and performance.

This work, together with the additional procedures performed at the Group level, including testing the Group consolidation, provided the evidence required to form our opinion on the Group financial statements as a whole.

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) that 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.

In addition to the mater set out in the "conclusions relating to going concern" section above, we have deemed the matter described below to be a key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The Group's accounting policy is described in note 2 Details of the disaggregation of revenue is included in note 3.	We consider the application of the Group's revenue recognition policy as a key audit matter due to the judgment involved in interpreting the terms of sales contracts and the point at which contractual obligations are satisfied and control is transferred to the customer. Our work focused on ensuring revenue is recognised in accordance with the contractual obligations and within the parameters of the stated revenue recognition policy, taking account of IFRS 15 Revenue from Contracts with Customers.	We tested a sample of projects, both during the year and in progress at the year end and obtained the customer contract to identify the distinct performance obligations. We challenged any judgemental contract terms to check that revenue had been recognised in line with the satisfaction of the distinct performance obligations, corroborating this to supporting documentation. We tested the amounts allocated to each distinct performance obligation in light of the sales prices achieved for the delivery of individual elements of the contract when provided in isolation. For projects where all performance obligations had not been satisfied but invoices had been raised on account, we verified that appropriate amounts had been deferred and shown as contract liabilities, with costs of production recognised within inventory. We also agreed a sample of revenue recognised in October 2021 to supporting documentation to check that it had been recognised in the correct financial year. **Key observations:** We noted no material exceptions through performing these procedures.

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

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	29,000	35,000	28,000	33,250
Basis for determining materiality	Set based on 1% of revenue.		Set based on 95% of Group materiality.	
Rationale for the benchmark applied	Revenue is considered the appropriate benchmark in light of the stage of development of the business and focus on this as a key performance measure by stakeholders of the business.		Restricted to a percentage of Group materiality, taking account of the aggregation risk.	
Performance materiality	22,000	26,250	21,000	25,000
Basis for determining performance materiality	Performance materiality for the Group and Parent Company has been based upon 75% of materiality. This reflects our assessment of the expected value of misstatements and the Directors' attitude to correcting proposed adjustments.			

Component materiality
We set component materiality by reference to the size and our assessment of the risk of material misstatement of that component. Other than the Parent Company, 3DX-Ray Limited is considered to be the only significant component and materiality was set at £28,000. In the audit of the component, we applied a performance materiality level of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1,450 (2020: £1,750). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report certain opinions and matters as described below.

Strategic Report and Directors' Report	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. 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.
Matters on which we are required to report by exception	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' statement of responsibilities, 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.

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

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.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures, in line with our responsibilities outlined above, to detect material misstatements in respect of irregularities, including fraud. The design of our procedures is detailed below:

- enquiring of Management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- obtaining an understanding of the legal and regulatory frameworks applicable to the Group and the Parent Company based on our understanding of the business, sector experience and discussions with management. The most significant considerations are international financial reporting standards, the Companies Act 2006, corporate taxes, VAT legislation, employment taxes, health and safety along with Ionising Radiation Regulations 2017 and the Bribery Act 2010.
- discussing amongst the engagement team, who also undertook the audit testing on significant components, to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - management override of control; and
  - revenue recognition, specifically the interpretation of the terms of sales contracts and the point at which contractual obligations are satisfied and control is transferred to the customer.

We executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures, together with the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- We made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of board minutes.
- We tested the appropriateness of accounting journals, including those relating to the consolidation process, and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered could be indicative of management override.
- We reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We assessed the appropriateness and tested the application of the revenue recognition policies, with a particular focus on the distinct terms within contracts and the timing of satisfaction of performance obligations. See also the key audit matter above on revenue recognition.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

Andrew Mair

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
6 December 2021

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 2021

	Note	2021	2020
		£	£
REVENUE	3	**2,873,595**	3,484,410
Cost of sales		**(1,359,309)**	(1,760,242)
Gross profit		**1,514,286**	1,724,168
Administrative expenses		**(1,325,565)**	(1,612,366)
OPERATING PROFIT	4	**188,721**	111,802
Finance income		**103**	993
PROFIT BEFORE TAXATION		**188,824**	112,795
Taxation	6	**51,072**	25,160
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY OWNERS OF THE PARENT COMPANY		**239,896**	137,955
		Pence	Pence
Earnings per share	7		
Basic		**0.18**	0.10
Diluted		**0.17**	0.10

There was no other comprehensive income for 2021 (2020: £nil)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

	Note	**2021**	2020
		£	£
NON-CURRENT ASSETS			
Intangible assets	8	**109,590**	17,839
Property, plant and equipment	9	**17,795**	7,197
Right of use asset	10	**232,428**	39,664
		359,813	64,700
CURRENT ASSETS			
Inventories	13	**393,074**	450,574
Trade and other receivables	14	**740,849**	314,525
Cash and cash equivalents	15	**1,186,423**	1,409,494
		2,320,346	2,174,593
TOTAL ASSETS		**2,680,159**	2,239,293
CURRENT LIABILITIES			
Trade and other payables	16	**752,280**	707,630
Lease liability	10	**37,625**	38,522
Warranty provision	17	**45,640**	33,750
Bank loan	18	**-**	3,147
		835,545	783,049
NON-CURRENT LIABILITIES			
Bank loan	18	**-**	46,853
Lease liability	10	**195,327**	-
		195,327	46,853
NET ASSETS		**1,649,287**	1,409,391
EQUITY			
Share capital	19	**1,363,546**	1,363,546
Share premium account		**8,327,910**	8,327,910
Profit and loss account		**(8,042,169)**	(8,282,065)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**1,649,287**	1,409,391

These financial statements were approved and authorised for issue by the Board of Directors on 6 December 2021.

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 2021

	Note	**2021**	2020
		£	£
NON-CURRENT ASSETS			
Investments in Group undertakings	11	**21,377**	21,377
CURRENT ASSETS			
Trade and other receivables	14	**1,497,404**	1,355,291
Cash and cash equivalents	15	**24,308**	28,202
		1,521,712	1,383,493
TOTAL ASSETS		**1,543,089**	1,404,870
CURRENT LIABILITIES			
Trade and other payables	16	**64,010**	41,344
NET ASSETS		**1,479,079**	1,363,526
EQUITY			
Share capital	19	**1,363,546**	1,363,546
Share premium account		**8,327,910**	8,327,910
Profit and loss account		**(8,212,377)**	(8,327,930)
TOTAL EQUITY		**1,479,079**	1,363,526

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 £115,553 (2020: profit of £92,090).

These financial statements were approved and authorised for issue by the Board of Directors on 6 December 2021.

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 2021

	Share capital	Share premium	Profit and loss account	Total
CONSOLIDATED	**£**	**£**	**£**	**£**
As at 1 October 2019	1,363,546	8,327,910	(8,423,897)	1,267,559
Profit for the year and total comprehensive income 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
Profit for the year and total comprehensive income for the year	-	-	239,896	239,896
Transactions with owners:				
Share-based transactions	-	-	-	-
As at 30 September 2021	**1,363,546**	**8,327,910**	**(8,042,169)**	**1,649,287**

	Share capital	Share premium	Profit and loss account	Total
COMPANY	**£**	**£**	**£**	**£**
As at 1 October 2019	1,363,546	8,327,910	(8,423,897)	1,267,559
Profit for the year and total comprehensive income 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
Profit for the year and total comprehensive income for the year	-	-	115,553	115,553
Transactions with owners:				
Share-based transactions	-	-	-	-
As at 30 September 2021	**1,363,546**	**8,327,910**	**(8,212,377)**	**1,479,079**

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £	2020 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		**188,721**	111,802
Adjustments for:			
Depreciation		**7,689**	9,414
Amortisation of intangible assets		**19,432**	12,049
Amortisation of right of use asset		**43,487**	39,269
Impairment of inventories		**99**	(58,960)
Decrease in inventories		**57,401**	273,555
(Decrease)/increase in trade and other receivables		**(426,324)**	349,434
Increase/(decrease) in trade and other payables		**44,650**	(140,407)
Increase in warranty provisions		**11,890**	17,750
Share-based payments		**-**	3,877
Lease interest		**4,142**	2,253
Cash (used in)/generated from operating activities		**(48,813)**	737,956
Corporation tax received		**51,072**	32,310
Net cash flows (used in)/generated from operating activities		**2,259**	770,266
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**103**	993
Purchase of intangibles	8	**(111,183)**	(4,555)
Purchase of property, plant and equipment	9	**(18,287)**	(5,035)
Net cash used in investing activities		**(129,367)**	(8,597)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of bank loan		**-**	50,000
Repayment of bank loan		**(50,000)**	-
Lease payment		**(45,963)**	(42,664)
Net cash (used in)/generated from financing activities		**(95,963)**	7,336
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(223,071)**	769,005
Cash and cash equivalents at beginning of year		**1,409,494**	640,489
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**1,186,423**	1,409,494

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

COMPANY CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £	2020 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		**115,553**	92,090
Adjustments for:			
(Increase) in intercompany receivables		**(132,596)**	(104,009)
(Increase) in trade and other receivables		**(9,517)**	(3,457)
Increase in trade and other payables		**22,666**	4,740
Share-based payment		**-**	3,112
Net cash used in operating activities		**(3,894)**	(7,524)
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 IN CASH AND CASH EQUIVALENTS		**(3,894)**	(7,524)
Cash and cash equivalents at beginning of year		**28,202**	35,726
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**24,308**	28,202

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations. The financial statements have been prepared under the historical cost convention.

Going concern

The Directors have reviewed the going concern assessment for the Group and the Parent Company for the year ended 30 September 2021. Future prospects, principal risks and uncertainties and the impact of COVID-19 is set out in the Chairman's Statement on page 5 of this report and the Strategic Report on pages 8 to 11.

Based on the Board approved forecasts for FY2022 and FY2023, and consideration of reasonably foreseeable events and circumstances, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's trading, cash flows, available cash 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 has traded profitably through the pandemic, successfully adopting its business to the changing circumstances.
- The Group has generated profits in both FY2020 and FY2021 and is forecast to continue to do so.
- The Group's financial resources at the time of signing this report, combined with the committed order book and reasonable assumptions about future renewals of the support contracts, support the ability to absorb a significant reduction in product revenues, both compared with the budgets and forecasts and prior years, without exhausting the cash resources.
- The Group's financial plans and commitments, including product development, capital commitments, stock purchases include variable/discretionary costs which could be curtailed if orders fell below forecast levels.
- The principal risks associated with the business as well as how COVID-19 has impacted on them.

The Directors concluded that the key risk is the unpredictability of demand from customers. Whilst considered extremely unlikely based on current trading and order enquiry levels, a reverse stress test has been carried out to model the reduction in revenue that could be absorbed. This indicates that, without resorting to other cost reduction measures, a reduction in revenue of c50% could be absorbed before available cash resources would be exhausted within the next 12 months.

The Directors have also reviewed the supply chain and are satisfied that sufficient mitigating actions have been put in place including 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 unknowable events on future activity levels and cash flows, they are confident that there are no reasonably foreseeable events or circumstances which would lead to the current cash resources being exhausted and accordingly there are no matters that give rise to a material uncertainty. On this basis the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

New accounting standards, amendments and interpretations

There were no new standards, amendments or interpretations which the Group consider to be applicable to these financial statements.

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;

Software licenses – Point in time –
where a contract gives the customer a right to use a perpetual software license, revenue is recognised when the license key is issued to the customer. This is the point at which the customer has a right to use the software.

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 recognised 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 from 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 for 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 –
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, installation and commissioning. Support is recognised evenly over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs it.

Extended warranty – Over Time –
it is customary for the Group 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, is typically a parts only obligation, and revenue is recognised over the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Significant Accounting Policies (Continued)

Intangible assets

Acquired software

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

Internally generated assets

Internally generated intangible assets (development costs) are capitalised if it can be demonstrated that

- it is technically feasible to develop the product and for it to be sold; and
- adequate resources are available to complete the development; and
- there is an intention to complete and sell the product; and
- the Group is able to sell the product; and
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods that the Group expects to benefit from selling the product produced. The amortisation expense is included within administrative costs in the consolidated statement of comprehensive income.

Development costs	-	six years

Development costs not satisfying the criteria and expenditure on the research phase of the internal projects are recognised in the consolidated statement of comprehensive income as incurred

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.

Right of use assets and lease liabilities

The lease liability is initially measured at the present value of the future lease payments discounted at the interest rate implicit in the lease or, if that cannot be readily determined, at the Group's incremental borrowing rate on commencement of the lease. On initial recognition, the carrying value of the lease includes variable lease payments that depend on an index or rate. The lease term includes any option to terminate held by the group, where it is reasonably certain this option will not be exercised. The lease liability is re-measured for modifications to lease payments due to changes in an index or rate. When the lease liability is re-measured, an equivalent adjustment is made to the right of use asset.

A right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation. Right of use assets are depreciated over the shorter of the lease term and the estimated useful economic life.

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.

Research and development costs

Expenditure on research costs is charged to the income statements in the period in which they were incurred.

Where expenditure on development does not meet the criteria to be capitalised, as set out in the policy on internally generated intangible assets, it is written off in the period that it is incurred.

Foreign currencies

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. Monetary assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date.

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 options to certain employees. Equity settled share options 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. Where the employee that holds the option is employed by a subsidiary, the charge is reflected in that subsidiary's financial statements. 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 the share options. The estimate of the fair value 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 any 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.

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 estimates and 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 41. In applying the accounting policy, the Board must determine that all the relevant criteria are met in accordance with 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 £247k (2020: £173k) of contract liabilities in relation to payments in advance that will be recognised when the contract terms are met.

(b) Impairment of amounts recoverable from subsidiary company

The Company acts as a holding company for its trading subsidiary and provides funding in the way of an 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, concluding there has been no significant change in credit risk since the last reporting date.

(c) Capitalisation of development costs

Part of the Group's strategic aim is organic growth through expansion of the product range and investment is made in research and development to further this aim. As set out in the accounting policy on page 42 developments costs are recognised as an intangible asset once the criteria for capitalisation is met under IAS 38. In the year £96,096 (2020: £nil) of costs met the criteria of capitalisation. Judgement is required in assessing the recoverable amount, including the future economic benefits expected to be generated by the asset, and its useful economic life. The Board reviews these judgements periodically to assess if there are any indicators of impairment.

(d) Recognition of right of use asset and associated lease liabilities

The right of use asset and lease liability represents the property which the Group conducts its trading activities from, as well as being it its registered office. The property lease was due for renewal on 1 September 2021. At the date of renewal, the terms of the lease were being negotiated with the final lease not being signed until November 2021. Judgement was required in assessing the status of the negotiations and the intention of the landlord to provide a contract that conveys the right to use the property for a period of time at the date of renewal. Based upon the correspondence available at the date of renewal, it was considered reasonable that there was sufficient intent from both parties to enter the new lease and therefore recognise a lease liability and corresponding right of use in line within the Group's accounting policy as set out on page 42.

Judgement has been applied to the determining the term of the lease, given the break point at the end of year three. At the date of renewal, the Board assessed that it was reasonably certain not to exercise this option and that the Group will remain within the property for the full six year term.

In determining the present value of lease payments, an incremental borrowing rate was used which the Board believes is in line with rates that would be achieved for borrowing on similar terms for a similar asset. An increase/decrease of 2% of this borrowing rate would increase/decrease the lease liability and corresponding right of use asset by £15k.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

2. Significant Accounting Policies (Continued)

(e) 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 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 significant impact on the impairment provided. If the provision were to increase / decrease by 10% the impact on the Group would be £28k.

3. Revenue

The Group has only one business segment, being the continuing development and sale of advanced X-ray imaging techniques and products.

The Group has disaggregated revenue in the following tables which is intended to define how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data. This is reviewed by the Board 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.

	2021	2020
	£	£
Group revenue by destination		
UK	**419,124**	403,460
Europe, the Middle East and Africa	**814,542**	1,907,660
Asia	**1,342,622**	1,043,226
Americas	**297,307**	130,064
	2,873,595	3,484,410

	2021	2020
	£	£
Group revenue by type		
Original equipment	**2,316,334**	2,825,471
After sales	**557,261**	658,939
	2,873,595	3,484,410

	2021	2020
	£	£
Group revenue by timing of transfer of goods		
Point in time (determined by contract)	**2,484,792**	3,098,327
Over time	**388,803**	386,083
	2,873,595	3,484,410

The gross profit was £1,514,286 (2020: £1,724,168) and the trade is primarily B2B.

During the year to 30 September 2021, sales of £1,397,871 were made to two customers (the largest - £739,530 and the second largest - £658,341) accounting for 49% of total revenue (2020: sales of £1,937,991 were made to three customers (the largest customer - £876,936 and the second largest - £774,941 and the third largest - £286,114) accounting for 56% of total revenue)).

	2021 £	2020 £
Contract assets		
At 1 October 2020	**3,745**	8,022
Transfers from contract assets to trade receivables	**(3,745)**	(8,022)
Excess of revenue recognised over invoiced amounts	**112,589**	3,745
At 30 September 2021	**112,589**	3,745

Contract assets are shown in note 14.

	2021 £	2020 £
Contract liabilities		
At 1 October 2020	**204,640**	620,333
Contract liabilities recognised as revenue in the period	**(155,697)**	(578,321)
Deposits received in advance of performance obligations	**227,070**	162,628
At 30 September 2021	**276,013**	204,640

Contract liabilities are shown in note 16.

4. Operating Profit

	2021 £	2020 £
Operating profit is stated after charging the following:		
Depreciation of property, plant and equipment	**7,689**	9,414
Amortisation of right of use asset	**43,487**	39,269
Amortisation of intangible assets	**19,432**	12,049
Auditors' remuneration		
Audit – Subsidiary	**24,475**	21,000
Audit – Company	**11,775**	9,000
Other services	**-**	5,406
Research and development costs expensed	**146,487**	299,804
Cost of inventories recognised as an expense (included in cost of sales)	**1,136,346**	1,514,461
Foreign exchange losses	**18,608**	19,085

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

5. Information Regarding Directors And Employees

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Total employment costs				
Wages and salaries	**1,037,286**	1,040,645	**320,264**	324,851
Social security costs	**116,377**	107,915	**42,540**	41,610
Pension costs	**44,204**	42,555	**16,831**	16,109
Share-based payments (option scheme)	**-**	3,877	**-**	3,112
	1,197,867	1,194,991	**379,635**	385,682
Directors' emoluments				
Management remuneration	**281,531**	275,047	**323,730**	328,202
Fees as Directors	**34,522**	33,754	**39,074**	38,259
Pension contributions	**16,831**	16,109	**16,831**	16,109
Share-based payments (option scheme)	**-**	3,112	**-**	3,112
	332,884	328,022	**379,635**	385,682
The amounts paid in respect of the highest paid Director are as follows:				
Emoluments	**113,910**	113,959	**113,910**	113,959
	Number	Number	**Number**	Number
Average number of persons employed (including Directors)				
Accounts and administration	**2**	2	**-**	-
Technical	**14**	13	**-**	-
Directors	**5**	5	**5**	5
	21	20	**5**	5
Number of Directors accruing benefits under:				
Defined contribution pension scheme	**2**	2	**2**	2

During the year, Government assistance of £39,266 (2020: £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 25 to 26.

Related party transactions are disclosed in note 20.

6. Tax On Profit

a) Analysis of credit in the year

	2021 £	2020 £
Current tax		
Current tax on profit for the year	**51,072**	32,310
Deferred tax credit/(charge) for the year (note 12)	**-**	(7,150)
Total tax (note 6b)	**51,072**	25,160

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

	2021 £	2020 £
Profit before tax	**188,824**	112,795
Tax on profit at 19% (2020:19%)	**35,876**	21,431
Being the effects of		
Disallowable expenditure	**-**	764
Non trade loan relationship credits	**(20)**	-
Enhanced R&D relief	**(55,611)**	(54,947)
Surrender of tax losses for R&D tax credit refund	**47,915**	32,310
Losses carried forward not recognised as deferred assets	**22,912**	25,602
Actual tax credit for the year (note 6a)	**51,072**	25,160

On 5th March 2021 the Government announced an increase in the UK corporation tax rate from 19% to 25%, effective from 1st April 2023. This rate was substantively enacted at the statement of financial position date and will impact the Group's future tax charge.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

7. Earnings Per Share

	2021	2020
	£	£
Profit for the year	**239,896**	137,955
Weighted average number of ordinary shares in issue	**136,354,577**	136,354,577
Number of diluted shares	**137,868,758**	136,463,866
Basic profit per share	**0.18p**	0.10p
Diluted profit per share	**0.17p**	0.10p

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. Some of 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 and assets created from capitalising development expenditure under IAS38.

Group	**Business Software £**	**Development Costs £**	**Total £**
Cost			
At 1 October 2019	36,873	-	36,873
Additions	4,555	-	4,555
At 30 September 2020	**41,428**	**-**	**41,428**
Additions	**15,087**	**96,096**	**111,183**
At 30 September 2021	**56,515**	**96,096**	**152,611**
Amortisation			
At 1 October 2019	11,540	-	11,540
Provided during the year	12,049	-	12,049
At 30 September 2020	**23,589**	**-**	**23,589**
Provided during the year	**14,802**	**4,630**	**19,432**
At 30 September 2021	**38,391**	**4,630**	**43,021**
Net book value			
At 30 September 2021	**18,124**	**91,466**	**109,590**
At 30 September 2020	17,839	-	17,839

9. Property, Plant and Equipment

Group	Computer equipment £	Demonstration equipment £	Plant and equipment £	Total £
Cost				
At 1 October 2019	119,904	76,044	102,570	298,518
Additions	1,810	-	3,225	5,035
At 30 September 2020	**121,714**	**76,044**	**105,795**	**303,553**
Additions	**5,317**	**-**	**12,970**	**18,287**
At 30 September 2021	**127,031**	**76,044**	**118,765**	**321,840**
Depreciation				
At 1 October 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**
Provided during the year	**5,367**	**-**	**2,322**	**7,689**
At 30 September 2021	**122,391**	**76,044**	**105,610**	**304,045**
Net book value				
At 30 September 2021	**4,640**	**-**	**13,155**	**17,795**
At 30 September 2020	4,690	-	2,507	7,197

10. Leases

Right of use asset - Property	2021 £	2020 £
At 1 October 2020	**39,664**	**78,933**
Additions	**236,251**	**-**
Amortisation	**(43,487)**	**(39,269)**
At 30 September 2021	**232,428**	**39,664**

Lease liability - Property	2021 £	2020 £
At 1 October 2020	38,522	78,933
Additions	236,251	-
Interest charged	4,142	2,253
Lease payments	(45,963)	(42,664)
At 30 September 2021	**232,952**	**38,522**

The maturity of the lease liability is as follows:

	Within one year £	Within 1 – 2 years £	Within 2 – 5 years £	Total £
Lease liability	**37,625**	**43,000**	**152,327**	**232,952**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

11. Investments

Subsidiary undertakings – Company

	2021 £	2020 £
Cost	51,001	51,001
Capital contribution to subsidiary undertakings	21,376	21,376
Impairment	(51,000)	(51,000)
Balance at 30 September	21,377	21,377

The impairment provision relates solely to Image 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 2021 £	Investment shares at cost 2020 £
Image Scan Ltd	Dormant company	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.

12. Deferred Tax Asset

The Group has unused tax losses of £5.6m (2020: £5.6m) and other temporary timing differences amounting to £nil (2020: £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	**2021**	2020
	£	£
At 1 October 2020	**-**	7,150
Recognised in the year	**-**	(7,150)
At 30 September 2021	**-**	-

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. On 5th March 2021 the Government announced an increase in the UK corporation tax rate from 19% to 25%, effective from 1st April 2023. This rate was substantively enacted at the statement of financial position date and will impact the Group's future tax charge. 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**	
	2021	2020	**2021**	2020
	£	£	**£**	£
Raw materials	**162,894**	147,843	**-**	-
Work in progress	**158,498**	183,071	**-**	-
Finished goods	**71,682**	119,660	**-**	-
	393,074	450,574	**-**	-

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

During the year, the provision against demonstration equipment and other stock was increased by £99 (2020: reduced by £58,960) in the Group accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

14. Trade And Other Receivables

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Trade receivables	**455,508**	139,002	**-**	-
Accrued income on contracts	**112,589**	3,745	**-**	-
Other receivables and prepayments	**172,752**	135,406	**40,344**	34,247
VAT recoverable	**-**	36,372	**6,920**	3,500
Amounts due from subsidiary undertakings	**-**	-	**1,450,140**	1,317,544
	740,849	314,525	**1,497,404**	1,355,291

Trade receivables and contract assets are grouped based on similar credit risk and ageing. At 30 September 2021, the lifetime expected credit loss provision using the simplified approach for trade receivables and contract assets is as follows:

	Group	Not yet due	Up to 3 months	3 to 6 months	Over 6 months
Expected loss rate		0.00%	0.001%	**0.001%**	0.001%
Gross carrying amount	**568,097**	316,318	168,815	**4,900**	78,064
Loss provision	**252**	0	169	**5**	78

The loss provision is considered immaterial and therefore has not been recognised. All gross carrying amounts relate to customers with no default history.

At 30 September 2021, the lifetime expected credit loss provision for amounts due for group undertakings is as follows:

Company	**2021**	2020
	£	£
Amounts recoverable from Group undertakings	**10,096,110**	9,963,514
Expected credit loss brought forward	**(8,645,970)**	(8,645,970)
Reduction/(impairment) in financial year	**-**	-
Expected credit loss carried forward	**(8,645,970)**	(8,645,970)
At 30 September 2021	**1,450,140**	1,317,544

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 and below forecast.

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

15. Cash And Cash Equivalents

	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Cash and cash equivalents	**1,186,423**	1,409,494	**24,308**	28,202

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

	Group		Company	
Amounts falling due within one year	**2021**	2020	**2021**	2020
	£	£	**£**	£
Trade payables	**275,752**	252,636	**26,810**	6,224
Contract liabilities	**276,014**	204,640	**-**	-
Other tax and social security	**28,743**	27,754	**-**	-
Accruals	**170,538**	222,600	**37,200**	35,120
VAT payable	**1,233**	-	**-**	-
	752,280	707,630	**64,010**	41,344

At 30 September 2021 accruals included pension contributions payable amounting to £nil (2020: £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 £246,962 (2020: £173,159) at 30 September 2021.

Sales of extended warranties held as contract liabilities amounts to £34,435 (2020: £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	12,142	11,101	11,192	34,435

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

17. Provisions For Liabilities And Charges

Group warranty provision	2021 £	2020 £
At 1 October 2020	**33,750**	16,000
Provision in year	**51,492**	58,591
Utilised in the year	**(23,212)**	(16,618)
Released during the year	**(16,390)**	(24,223)
At 30 September 2021	**45,640**	33,750

A warranty provision is recognised in respect of labour and material costs estimated to arise on products 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

	2021 £	2020 £
At 30 September 2021	**-**	50,000

In the year to September 2020, the Group took advantage of the Government bounce bank loan which had a maximum repayment term of five years. The loan was repaid in full in the financial year before interest became due on this loan.

19. Share Capital

	2021 £	2020 £
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 (2020: 136,354,577) ordinary shares of 1 pence each	**1,363,546**	1,363,546

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

The following share options are outstanding at 30 September 2021:

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

	2021 £	**2021 WAEP**	2020 £	2020 WAEP
At 1 October 2020	**10,020,000**	**2.99**	10,405,000	3.03
Options lapsed in year	**-**	**-**	(50,000)	2.25
Options lapsed in year	**-**	**-**	(315,000)	4.00
Options lapsed in year	**-**	**-**	(20,000)	6.25
At 30 September 2021	**10,020,000**	**2.99**	10,020,000	2.99

The weighted average remaining contractual life of share options outstanding at the year end was 3.74 years (2020: 4.74 years).

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:

	2021 £	2020 £
Employee benefits (note 5)	**-**	3,877

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2021

20. Transactions With Related Parties

During the year, Image Scan Holdings plc provided management services to the value of £664,361 (2020: £596,681) to its subsidiary company 3DX-Ray Limited.

At the year end the Company was owed the following amounts by subsidiary companies against which an impairment provision of £8,674,279 (2020: £8,674,279) is held:

	2021	2020
	£	£
3DX-Ray Ltd	**9,208,894**	9,076,298
Image Scan Ltd	**887,217**	887,217

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 (2020: £nil) and £564 (2020: £10,704) respectively. An amount of £nil (2020: £nil) is due to Aerosino Corporation Inc 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 of, the company. AVS Partners Limited provided consultancy services to the value of £1,138 (2020: £1,464). An amount of £149 (2020: £304) is included in trade payables at the year end.

During the year an amount of £nil (2020: £250) 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 being an immediate family member of William Mawer. An amount of £nil (2020: £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 £379,634 (2020: £366,520).

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**		**Company**	
	2021	2020	**2021**	2020
	£	£	**£**	£
Cash and cash equivalents	**1,186,422**	1,409,494	**24,308**	28,202
Trade and other receivables	**598,226**	168,679	**1,450,140**	1,372,512
Accrued income on contracts	**112,589**	3,745	**-**	-
	1,897,237	1,581,918	**1,474,448**	1,400,714

Financial liabilities	Group		Company	
	2021	2020	**2021**	2020
	£	£	**£**	£
Trade and other payables	**446,291**	475,236	**64,010**	41,344
Lease liability	**232,952**	38,522	**-**	-
Bank loan	**-**	50,000	**-**	-
	679,243	563,758	**64,010**	41,344

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.

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

	2021	2020
	£	£
Due in less than one month	**192,307**	166,571
Due between one and three months	**152,709**	267,264
Due between three months and one year	**138,900**	83,070
Due after one year	**195,327**	46,853
	679,243	563,758

Currency profile

At 30 September 2021 trade and other receivables included US$114,826 (2020: US$ 17,110) and amounts payable included US$187,385 (2020: US$148,957). 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 that the Annual General Meeting of the shareholders will be held at 1.30 p.m. on 22 February 2022 at the registered offices of the Company at 16-18 Hayhill Industrial Estate, Barrow upon Soar Leicestershire, LE12 8LD.

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 2021 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 2021.
3. To re-elect as a Director W R Mawer.
4. To re-elect as a Director R A Leaver.
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

NOTICE AND AGENDA OF ANNUAL GENERAL MEETING (CONTINUED)

1. Voting will be by poll only and therefore the Board encourages all members to return their form of proxy in advance of the meeting.
2. Members can attend the Annual General Meeting virtually by registering their details at https://www.investormeetcompany.com/image-scan-holdings-plc/register-investor. This platform allows members to obverse the meeting and to submit questions. Any member who has previously registered will automatically receive an invitation.
3. To ensure the safety and wellbeing of all attendees and staff on site, members (or their appointed proxy), who attend in person, will be asked to sign in and confirm that they have not experienced any symptoms of COVID-19 in the previous three days. All attendees will be required to wear a face covering at all times while on the premises and any attendee who is unable to meet this requirement on medical grounds is asked to discuss this in advance with the Company Secretary CoSec@ish.co.uk.
4. To facilitate entry to the meeting, shareholders are requested to notify the Company Secretary in advance of the meeting CoSec@ish.co.uk and provide suitable evidence of their identity on attendance. Persons who are not shareholders of the Company (or their appointed proxy) will not be admitted to the AGM unless prior arrangements have been made with the Company Secretary.
5. We ask all those present at the AGM to facilitate the orderly conduct of the meeting and reserve the right, if orderly conduct is threatened by a person's behaviour, to require that person to leave.
6. In the eventuality, that Government restrictions prohibit the attendance of the meeting by members, an amendment to the details of this Notice will be notified by means of a Regulatory News Service Announcement.
7. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf.
8. A proxy need not be a member of the Company.
9. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
10. A form of proxy is available on the Company's website, www.ish.co.uk, or by request from the Company Secretary and to be valid must be completed and returned so as to reach the Registrar of the Company, Neville Registrars Ltd, Neville House, Steelpark Road, Halesowen B62 8HD, together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power (written authority) not less than 48 hours (excluding non-working days) before the time fixed for holding the meeting or any adjournment thereof.
11. 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.
12. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, members who hold shares in uncertificated form must be entered on the Company's register of members at 1.30 p.m. on 18th February 2022 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

NOTES

IMAGE SCAN HOLDINGS PLC
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