Company Registration No. 03062983
England and Wales

IMAGE SCAN HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
30 September 2022

CONTENTS

HIGHLIGHTS

The pandemic and other extraordinary geo-political issues have continued to impact the business, its customers, and supply chain, which has suppressed the performance of the Group although after sales revenues and margin remained strong.

OPERATIONAL HEADLINES

- New, highly integrated ThreatScan®-AS1 portable X-Ray system launched
- Australasia territory performed strongly
- New customer in the catalytic converter industry
- Further contracts with UK Police Forces
- Support revenues held firm despite travel restrictions

FINANCIAL HEADLINES

- Order intake £2.2m (2021: £2.8m)
- Sales £2.0m (2021: £2.9m)
- Gross profit 54% (2021:53%)
- Costs £1.4m (2021: £1.3m)
- Pre-tax loss £0.35m (2021 profit: £0.19m)
- Year-end order book £0.71m (2021: £0.52m)
- Year-end cash balance £0.69m (2021: £1.2m)

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 fifteen 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, along with strategic technical partnerships to enable the extension of the Group's reach into new applications and new geographies and the growth of aftermarket revenues.

CHAIRMAN'S STATEMENT

A challenging year for Image Scan with the recovery in Governmental military spending and automotive industry taking longer than expected.

Introduction

For the year ended 30 September 2022 (the "Year"), the Group generated revenues of £2.0m (2021: £2.9m), down 31%, and a loss before tax of £0.35m (2021: profit of £0.19m). This performance was as a result of the slow recovery from the COVID-19 pandemic in certain key markets and Government procurement cycles, coupled with some delays with component sourcing. At 30 September 2022, the Group had net cash of £0.69m (2021: £1.2m).

The launch of new products during the Year and the continued opening up of our markets gives us confidence for 2023.

Environmental, Social and Governance

Image Scan recognises the importance of adopting a strong environmental, social and governance ("ESG") framework, and this guides our overarching business objectives and is influential to serving the needs of all of our key stakeholders. Improving Image Scan's ESG credentials is important to the Group's development strategy. We are confident in the robust procedures we have in place across the business and intend to build on these further in 2023.

Board Composition and Management Changes

Bill Mawer, the former Chairman and CEO, stepped down as CEO in January 2022 and retired from the Board in June 2022. Bill was appointed to the Board in January 2014 and has played an integral part in the successful development of the Group since then. The Board extends its thanks to Bill for his dedicated leadership of the Group.

Following Bill's retirement, in July 2022 the following changes were made to the Board: -

- Tim Jackson took over as Non-Executive Chairman, having previously been a Non-Executive Director.
- Dr Richard Leaver became Non-Executive Deputy Chairman, having previously been a Non-Executive Director.
- Vince Deery was confirmed as Chief Executive Officer following his appointment to the interim role in January 2022. Vince has been with the Group since 2008 and has been key in the development of the global customer base.
- Sarah Atwell King was promoted to Chief Financial Officer.

Outlook

On behalf of the Board and management of Image Scan, I would like to thank all of our colleagues and customers for their contribution to our business during 2022, without whom we would not be in the position we are today. The trading performance was below expectations as government procurement continued to be held back following the pandemic challenges that remain in some of our key markets. Our balance sheet provides us with a strong operational and financial platform from which to deliver growth.

We have made an encouraging start to 2023 and are confident in meeting our expectations for the full year. Whilst there are still macroeconomic uncertainties and challenges and the domestic economic outlook looks weak, the Board of Directors is confident in the Group's prospects in the medium to long term as we continue to seek to capitalise on our extended product range and global sales channels.

Tim Jackson
Chairman
12 December 2022

CEO REPORT

The pandemic and extraordinary geo-political events have continued to impact the business, its customers, and supply chain, which has suppressed the performance of the Group.

Business Review

Against the backdrop of an economy still recovering from the harshest of business interruptions, the legacy of the pandemic continues to impact the business and the industry. The product placement, marketing and sales process has yet to return to the levels experienced prior to the pandemic.

Customer visits, demonstrations and trade shows are recovering but still have some way to go to return to historic levels. We commenced the Year with a relatively low order book, experiencing delays and cancellations in government tendering activities, while global supply chain disruptions have adversely impacted our lead times, extending delivery times for customers.

Our customer service team has ensured that the installed base continues to receive the highest level of support to which they have become accustomed, despite component shortages and travel restrictions.

It is a credit to the team that in this period we have launched a new premium portable product, ThreatScan®-AS1, positioning itself at the highest level within the marketplace. Our staff have demonstrated great resilience and ingenuity in resolving supply chain difficulties and meeting customer expectations.

The Group finished the Year with a strengthened order book at £0.71m (2021: £0.52m) which supports the Board's outlook for 2023.

Our Strategy

The Group's strategy focuses on organic growth by expansion of the product range, greater penetration of existing territories and further development and investment in new geographic territories. The Group seeks to operate in profitable, niche security segments for which it can create differentiated products that it can take to market at good margins.

The Group recognises that, as a small business, it can only support a limited range of in-house developed products and as such needs to supplement the product range by agreements with other technology providers that can either be integrated with our systems or offered as complimentary products.

The Group's core security expertise is the "Counter-Explosive Ordnance" market to which it sells its portable X-ray systems. We will continue to invest in this sector, broadening and strengthening our offer to customers as demonstrated by the launch this Year at the Dubai Intersec security exhibition of our ThreatScan®-AS1 product which is our highest performing product in our portable range.

In industrial screening, we will look to retrofit the existing systems within the customer base with current manufacturing standard equipment and the latest improved software analysis tools. We will carefully assess the emerging technologies replacing the combustion engine, and how they might require X-ray technology in our continued focus in this area.

Outlook

The outlook is improving with many developed countries where the Group operates transitioning into the post-pandemic era, and experiencing a return to normality. Current levels of demonstration and attendance at trade shows are building and we foresee this trend continuing in the coming year. After the Year end we have seen a noticeable recovery in trade show attendance, enquiry, tender and demonstration activity.

An area that we look forward for continued strong performance is the aftersales market, we have performed excellently during the Year, despite the various challenges imposed by component supply difficulties and travel restrictions. This has been accomplished by the dedication of our team and the strength of our partner links in countries and regions still imposing restrictions.

In the medium term we expect Government Procurement programmes that were delayed and / or cancelled to re-emerge.

CEO REPORT (CONTINUED)

Our focus will be on our core expertise, in particular, our portable X-ray products and associated software to enable us to maintain and grow market share by outweighing the growing competitive nature of this market; and by moving the product offering range up and across into markets with higher performance and higher value systems.

The first product development in this higher-value range has already gained sales which were previously inaccessible to the Group. These developments will also allow a competitive offering in some more mature geographic markets that have previously been challenging due to our existing technology. This on-going investment in our portable X-ray products and the software will allow us to be strong contenders in the delayed government programmes when they return.

The Group has slowly built upon its early sales for the AXIS-CXi cabinet X-ray system and we hope to see these sales gain momentum as the delayed product placement activities come to fruition. It is anticipated that this product will grow in the coming year.

The Group's industrial sector is directly influenced by the automotive market and, as such, the outlook remains steady. We see the deployment of our systems in the Asian regions as being most likely as they continue to introduce European style legislation over emission controls.

We recognise that with the decline of the internal combustion engine and the transition to net zero, we need to identify other areas where our industrial inspection technology would be a suitable, and cost-effective solution. We see the internal combustion engine replacement technologies pursued by the automotive sector as our most likely route for success. This will be a medium-term focus.

Image Scan, like many other companies, has been impacted by disruption to supply chains and logistics difficulties, the impact of which continues to create challenges in both meeting customer demands and cost control. This area will continue to require considerable focus and resource in the coming year to ensure the competing demands of product availability and price for the customer, versus the management of the company's stock profile.

It is anticipated that the challenges of the Year will decline in influence on the business, but we are mindful of the global economic pressures of rising inflation and currency variability and geo-political events which may also impact on our markets.

We are however very encouraged by our new product offerings and the reception these have received in the marketplace both with our partners and end users, which coupled with a strengthened opening order book offer us confidence for a much improved year ahead.

Vincent Deery
Chief Executive Officer
12 December 2022

CFO REPORT

A challenging year, balancing lower booking levels with cost increases and investment plans.

Key Performance Indicators

	2022	2021	2020	2019	2018
Order intake	£2.2m	£2.8m	£2.4m	£3.9m	£2.8m
Turnover	£2.0m	£2.9m	£3.5m	£2.4m	£3.5m
Gross margin	54%	53%	49%	54%	47%
Cash balance	£690k	£1,186k	£1,409k	£640k	£782k
Inventory Balance	£629k	£393k	£451k	£483k	£939k

Financial Results

Revenue in the Year fell by £0.9m to £2.0m (2021: £2.9m) due mainly to ongoing COVID-19 restrictions in our Asian and Far East markets which saw year on year sales in these regions fall by £0.73m to £0.61m (2021: £1.34m). We expect this to start returning to normal levels as these markets open up and Government's invest in their national security.

The Group, like many manufacturers, faced the challenge in the Year of both sourcing components and increased component prices. Additional pressures on our costs included increased delivery charges and a fluctuating exchange rate and in the face of these pressures, it is a credit to the team that a gross margin of 54% (2021: 53%) was delivered. This was achieved in part by forward buying of components which results in an increase in stock levels at the Year-end.

Cost of sales were also impacted by the decrease in the dollar exchange rate over the Year and particular the Year-end rate of in September £1: $1.106 (2021 £1:$1.347) which is the basis of the balance sheet valuation. As the Group does not trade in high volume in currency, we are dependent on natural hedges between purchases and sales to manage currency fluctuations.

Costs increased by £0.1m to £1.4m (2021: £1.3m) as government support was withdrawn and the Group invested in marketing activity as markets began to open up. We expect to see the benefit of this marketing activity in 2023.

The combination of reduced sales and increased costs led to the Group making a pre-tax loss of £0.35m (2021: profit of £0.19m) which is disappointing following two years of profit.

The Group continued to invest in our product range and 2022 saw the launch of the new premium portable X-ray product, the ThreatScan®-AS1 and the first contract was delivered in the Year. This investment will show returns in 2023 as sales of the product impact performance. Part of this expenditure will be re-couped via R&D tax credits.

The increase in value of inventories, trading losses and the development costs delivered a reduction of cash balance by £0.50m to £0.69m (2021: £1.2m). A focus for 2023 will be on cost reduction to ensure that funds continue to be available for the business to invest in its products and their marketing to deliver profits in future years.

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.

CFO REPORT (CONTINUED)

RISK
Currency risk
The Group has a policy not to use hedging contracts. The Group is therefore 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 keeps 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 reviewing cash flow forecasting on a regular basis. The Group has positive cash balances and has therefore been able to meet its working capital requirements throughout the Year.
Impairment risks
The Group regularly reviews the carrying value of the Group's assets and, where impairment triggers are identified, assesses the need to recognise impairments against the value of the Group.

Sarah Atwell King
Chief Financial Officer
12 December 2022

DIRECTOR'S REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2022.

Directors

The Directors who served during the Year and up to the date of this report were as follows:

W R Mawer (resigned 30 June 2022)
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 136,854,577 and the following substantial shareholdings have been notified to the Company:

	%	Ordinary shares of 1 pence each
Rise Step International Development Ltd	22.56	30,873,331
D Allenby	13.35	18,268,085
Quilter	4.85	6,637,576
C Cozens	4.04	5,510,500
Directors shareholdings		
R A Leaver	0.37	500,000
V J Deery	0.24	333,077
S A Atwell King	0.24	325,000

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 CEO Report. Costs in the Year of £218,194 (2021: £146,487) were charged to the profit and loss account with £177,345 (2021: £96,096) 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 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.

DIRECTOR'S 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 23% 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 over time. Working capital is carefully monitored through detailed cash flow forecasts, monthly by the Board and considered at 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 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.

Share price performance

The highest and lowest share prices during the Year were 3.5 pence and 1.0 pence per share respectively. The closing mid-market price was 1.35 pence per share.

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 13 of this report.

s172 Stakeholder Engagement Impact Statement

This statement can be found on page 16 as part of the Corporate Governance Statements.

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 UK adopted international accounting standards. 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 UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 assessed the going concern position of the Group and the Company. As with many businesses engaged in international trade, the Group continues to be impacted by COVID-19, due to both restricted government budgets and local lockdowns/ restrictions. Further details are set out in the CEO's Report on page 5.

Based on the Group's Board approved trading and cash flow forecasts, for 2023 and 2024, which anticipate a return to profitable trading, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the Financial Statements. The Directors have reached this conclusion after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In making their assessment the Directors have considered the following:

- The Group's performance and underlying causes for incurring a loss in 2022 after two years of profit.
- The Group's financial resources at the time of signing this report which, 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.

DIRECTOR'S REPORT (CONTINUED)

- The expansion of the Group's product range to meet the needs of customers.
- The Group's financial plans and commitments, including product development, supply chain and other non-variable/non-discretionary costs.
- The principal risks associated with the business, including geo-political risks.

The Directors concluded that the key risk is the unpredictability of demand from customers. Based on current trading, including orders received 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 a reduction of c.25% of the revenue for the year to 30 September 2022, whilst considered extremely unlikely, 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, as has been demonstrated in 2022, including alternative sources of supply, should there be any disruption with existing supply chain arrangements.

The Directors recognise the current global market conditions and the current economic turmoil in the UK mean that there is potential for continued volatility and so uncertainty over future activities and cash flows. However, having regard to the factors considered above and the current available cash resources, these are not considered to give rise to a material uncertainty.

On this basis the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

Impairment Considerations

At the Year end, the share price was 1.35p placing, valuing the market capitalisation for the Company at £1.8m. After the Year end, falls in stock markets following economic uncertainty, created in part by the political uncertainties which affected the UK government, led the share price to fall to a point where the market capitalisation was less than the net assets of the Company of £1.4m. This, combined with the trading losses reported in the Year and the volatility created by the ongoing COVID-19 pandemic (which continues to impact some of the countries in which our products are used) and geo-political events, led the Board to carry out an impairment review.

The Board have therefore reviewed the carrying value of the assets of the Group (the "Cash Generating Unit") by reference to value in use of the Group. These are derived from discounted cash flow forecasts which are based on the Board approved budgets for 2023 and 2024, extended out to five years based on a cautious assessment of the likely market conditions, culminating in the determination of a terminal value assuming a long-term growth rate of 2.25%.

Having considered the assumptions, headroom available and a range of plausible sensitivities, the Board are satisfied that no impairments are warranted in respect of the carrying values as at 30 September 2022.

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

Vincent Deery
Chief Executive Officer
12 December 2022

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; whilst 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.

Tim Jackson
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 5 to 6. 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 17 to 18 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. This is delegated to the Audit Committee as set on pages 19 to 20. 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, are set out in the Directors report on page 10.

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

The Board of Image Scan is comprised of the Chairman and the Deputy Chairman both of whom are designated as Non-Executive Directors and two 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 and operations; 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.

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				
		T Jackson	R Leaver	V Deery	S Atwell King	W Mawer
Board	12	*11	12	12	12	10
Audit Committee	1	*1	1	–	–	1
Remuneration Committee	3	3	*3	–	–	3
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 two 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, Bill Mawer (to June 2022) and Vincent Deery (from July 2022). 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 pages 19 and 20.

Remuneration Committee

The Remuneration Committee comprises Richard Leaver, who acts as the Chairman, Tim Jackson, Bill Mawer (to June 2022) and Vincent Deery (from July 2022).

The Remuneration Committee normally meets at least once a year.

The Remuneration Committee report can be found on page 22.

Nominations Committee

The Nominations Committee compromises of Tim Jackson, who acts as the Chairman, Richard Leaver, Bill Mawer (to June 2022) and Vincent Deery (from July 2022).

The Nominations Committee normally meets at least once a year.

The Nomination Committee report can be found on page 21.

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 as a body, 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 • Recognition scheme rewarding individual staff for contributions to the Group (instant awards, quarterly awards, annual award)
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
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 • Important developments reported through RNS releases • Visits by individual shareholders to the company premises

CORPORATE GOVERNANCE STATEMENT
(CONTINUED)

Principal decisions linked to our strategy and the stakeholders impacted

Decision	Considerations	Stakeholders impacted
Setting annual financial budget, Updates of forecasts leading to revised expectations and trading updates	Consideration was given to how to set the budget given the uncertainty around emerging from the pandemic and its ongoing impact on government spending. This included the question of how this would impact the introduction of new products. This debate continued as restrictions changed during the Year in different territories. Once it was clear that booking levels were not going to achieve anticipated levels in this Year, the second challenge was the balance of investing now for future sales versus reducing expenditure. This was considered in the light of funds in the bank to support this activity.	Shareholders, employees
New product investments	As part of its investment in future sales, internal development of key products continued, leading to the launch of the new premium portable X-ray product. A number of other opportunities both for internal development and external partnership were evaluated, including return on investments and when their introduction would fit with our product offering.	Shareholders, customers
Supply chain issues	Disruption experienced in global supply chains continued throughout the Year. The Board monitored the situation closely and made decisions regarding holding supplies of key components in order to protect customer delivery times.	Customers, suppliers
Board structure	Following the announcement in December 2021 that Bill Mawer intended to relinquish the role of CEO and then subsequently to retire as Chairman, the structure and make up of the Board to take the business forward was considered.	Shareholders, employees

SHARE DEALING CODE

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

ANTI-BRIBERY POLICY

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

AUDIT COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Tim Jackson	1
Member	Richard Leaver	1
Member	Bill Mawer (until June 2022)	1
Member	Vince Deery (from July 2022)	-

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 accounting 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, cyber security arrangements 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;
- reviewed the evidence supporting debtor recoverability of both customers and intercompany debt; and
- reported to the Board on the appropriateness of accounting policies and practices which included updating and clarifying the policy on revenue recognition.

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.
- considered the cyber security arrangements in place and steps to improve these.

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 page 10 of the Director's 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;

Tim Jackson
Chairman of the Audit Committee
12 December 2022

NOMINATION COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Tim Jackson	2
Member	Richard Leaver	2
Member	Bill Mawer (until June 2022)	2
Member	Vince Deery (from July 2022)	-

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;
- 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 and in particular the restructure of the Board leading up to the retirement of Bill Mawer as Chairman.

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.

Tim Jackson
Chairman of the Nomination Committee
12 December 2022

REMUNERATION COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Richard Leaver	3
Member	Tim Jackson	3
Member	Bill Mawer (until June 2022)	3
Member	Vince Deery (since July 2022)	-

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 incentivized 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. Mr Deery does not participate in the setting of Executive Remuneration.

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 2021/2022;
- 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 2021/22; and
- reviewed performance measures for 2022/2023 for the Executive Directors.

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

Richard Leaver
Chairman of the Remuneration Committee
12 December 20212

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' remuneration report for the year ended 30 September 2022. 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 2022	Total emoluments 2021
	£	£	£	£	£	£	£
Executive							
V J Deery	108,145	-	1,665	-	10,018	**119,828**	113,910
W R Mawer	53,490	-	2,739	-	-	**56,229**	88,872
S A Atwell King	95,129	-	783	-	8,655	**104,567**	95,581
Non-executive							
R A Leaver	-	17,261	2,054	-	-	**19,315**	18,012
T D Jackson	-	17,262	-	-	-	**17,262**	16,510
Total 2022	**256,764**	**34,523**	**7,241**	**-**	**18,673**	**317,201**	332,885
Total 2021	269,648	32,988	7,793	5,625	16,831	332,885	

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	750,000	2.0p	17/09/2014	3 years	17/09/2024
S A Atwell King	EMI	50,000	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
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
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
12 December 2022

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2022 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 UK adopted international accounting standards 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 remain 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.

Given our assessment of risk and the significance of this area, we have determined going concern to be a key area of focus for the audit. Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting and response to this key audit matter is included in the "Key Audit Matters" section below.

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.

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

Overview

Coverage*	100% (2021: 100%) of Group loss before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	Revenue recognition	•	•
	Impairment risks	•	
	Going concern	•	•
Materiality	Group financial statements as a whole £20,000 (2021: £29,000) based on 1% (2021: 1%) of revenue for the year.		

* 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 a 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.

This work, together with the additional procedures performed at the Group level, which included 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.

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 components of revenue are included in note 3.	We consider the application of the Group's revenue recognition policy as a key audit matter due to the judgement involved in interpreting the terms of sales contracts and determining the point at which contractual obligations are satisfied and control transfers to the customer, with a particular focus on transactions around the year end. Our work was designed to ensure revenue is recognised in accordance with the contractual obligations and the revenue recognition policy, taking account of IFRS 15 Revenue from Contracts with Customers.	We tested a sample of projects undertaken during the year, with particular focus on those around the year end, obtaining the customer contracts to identify the distinct performance obligations. For the sample of projects selected: • We challenged any significant judgements, such as interpreting the terms of sales contracts and the point at which contractual obligations are satisfied and control is transferred to the customer to ensure that revenue had been recognised in line with the satisfaction of the performance obligations, corroborating this through inspection of supporting documentation. • Where multiple elements were included in a single contract, we compared the contractual amounts allocated to distinct performance obligations with the sales prices achieved for the delivery of individual obligations when provided in isolation. • For contracts where invoices were raised in advance of the satisfaction of performance obligations, we verified that appropriate amounts had been deferred and shown as contract liabilities, with costs of production recognised within inventory. • We tested any journals posted to revenue which fell outside our predetermined risk criteria to identify any deliberate manipulation or bias. • We also agreed a sample of revenue recognised in October 2022 to supporting documentation to check that it had been recognised in the correct financial year. **Key observations:** Based on the procedures performed we consider that management's judgements in respect of revenue recognition are reasonable.

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

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment risks The Group's accounting policy is described in note 2. Details of the significant estimates and judgements and management's assessment are included in note 2.	The Group has non-current assets, including intangible assets, property, plant and equipment and right of use assets of £464,166. The existence of operating losses, the potentially unquantifiable impacts of the continuing COVID 19 pandemic and the emerging issues resulting from the geo-political and economic events in some of the territories where the Group trades, and the Group's market value falling below the consolidated net assets since the year end, represent indicators that impairments may be present. We consider there to be a significant risk in relation to the achievement of the forecast future trading and cash flows used to determine the value in use supporting the carrying value of the Group's non-current assets.	We have audited the judgements and estimates made by management in undertaking the impairment test. This included: • Testing the adjustments to the net assets as reported at 30 September 2022 to derive the carrying value of the Cash Generating Unit; • Validating the calculation of the discount rate used to discount the cash flows and challenging the reasonableness of the assumptions used; • Challenging the assumptions used by management in their budgets and forecasts of the future trading performance and cash generation and testing their application in the forecast model. This included comparison with the information used to assess the going concern assumption and challenging the robustness of the key assumptions, including an assessment of the current committed order book and conversion rates in the enquiry pipeline by reference to historic evidence and other internal and third-party evidence; • Considering the appropriateness of the sensitivities applied by management, with specific consideration of the continuing impacts of the Covid 19 pandemic and the geo-political and economic conditions in the UK and internationally. We also reviewed the stress testing undertaken by management to assess the level of underperformance against management's forecasts required to eliminate the headroom in the model; • We engaged our internal valuation experts, working with them to confirm the appropriateness of the model used by management to calculate the value in use, with particular consideration of the impact of IFRS 16, the assumptions relating to tax and capitalised development costs and the calculation of the discount rates; and • We considered the outcomes achieved compared with the prior year forecasts to understand the reasons for the variations and challenged how the forward-looking budgets and forecasts incorporated this information. **Key observations** Nothing has come to our attention as a result of performing the above procedures that causes us to believe that any material misstatement is present in respect of the carrying value of the non-current assets.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr>
<td>Going concern

The Directors’ assessment is set out in note 2 in the financial statements.</td>
<td>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the financial statements of the Group and Parent Company.

That judgement is based on an evaluation of the inherent risks to the Group’s and Company’s business model and how those risk might affect the Group’s and Company’s financial resources or ability to continue operations over a period of at least twelve months from the date of approval of the accounts.

The risk most likely to adversely affect the Group’s and Parent Company’s available financial resources and have an impact on its ability to meet its obligations over this period is the impact of the current economic uncertainties and geo-political events on the ability to successfully secure and fulfil orders for new equipment and continue to renew existing after sales contracts with existing customers in the forecast period.

Because of the significance of the judgements in this area we considered going concern to be a key audit matter.</td>
<td>In undertaking our evaluation of the Directors’ assessment of the Group’s and the Parent Company’s ability to continue to adopt the going concern basis of accounting, we performed the following procedures:

• Assessed the Directors’ trading and cash flow budgets and forecasts, which covered the period to 30 September 2024. Our testing focused on the period of 12 months from the date of approval and included testing the arithmetical accuracy of the model, challenging the key assumptions within the forecasts, reviewing the value of the committed order book, the forecast support revenue and expected conversion rates in the pipeline of potential customer enquiries. We also had regard to the historical forecasting accuracy.
• Reviewed the cash headroom in the stress tests prepared by Directors, taking into account the available cash at the date of approval of the financial statements and comparing 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.
• Assessed the likelihood of revenue levels not achieving the worst-case scenario, incorporating the level of committed equipment orders and our understanding in relation to both the timing and quantum of the cost reduction measures that could be taken in the event that revenue levels fell below the 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
• 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.

Our observations are set out in the “conclusions relating to going concern” section of our report.</td>
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</table>

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	
	2022 £	2021 £	2022 £	2021 £
Materiality	20,000	29,000	19,000	28,000
Basis for determining materiality	Based on 1% of revenue.		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 95% of Group materiality to take account of aggregation risk.	
Performance materiality	15,000	22,000	14,250	21,000
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. 3DX-Ray Limited is considered to be the only significant component of the Group and materiality was set at £19,000. In the audit of the component, we applied a performance materiality level of 75% to the component materiality in 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 £1,000 (2021: £1,450). 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 on 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 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.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 extent to which our procedures are capable of detecting irregularities, including fraud 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 and the Audit Committee. The most significant considerations are UK adopted international accounting standards, the Companies Act 2006, corporate taxes, VAT legislation, employment taxes, Health & Safety regulations along with Ionising Radiation Regulations 2017 and the Bribery Act 2010.
- discussing amongst the engagement team 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 controls; 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 the Audit Committee 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, identifying and substantively testing 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 remining alert for 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. Please also refer to the key audit matter on revenue recognition above.

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
Nottingham, UK
12 December 2022

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 2022

	Note	2022 £	2021 £
REVENUE	3	**2,002,299**	2,873,595
Cost of sales		**(924,380)**	(1,359,309)
Gross profit		**1,077,919**	1,514,286
Administrative expenses		**(1,421,456)**	(1,325,565)
OPERATING (LOSS)/PROFIT	4	**(343,537)**	188,721
Finance income		**440**	103
Interest payable and similar charges	10	**(6,426)**	-
(LOSS)/PROFIT BEFORE TAXATION		**(349,523)**	188,824
Taxation	6	**77,998**	51,072
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY OWNERS OF THE PARENT COMPANY		**(271,525)**	239,896

		Pence	Pence
(Loss)/earnings per share	7		
Basic		**(0.20)**	0.18
Diluted		**(0.20)**	0.17

There was no other comprehensive income for 2022 (2021: £nil).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Note	**2022**	2021
		£	£
NON-CURRENT ASSETS			
Intangible assets	8	**257,554**	109,590
Property, plant and equipment	9	**13,559**	17,795
Right of use asset	10	**193,053**	232,428
		464,166	359,813
CURRENT ASSETS			
Inventories	12	**628,903**	393,074
Trade and other receivables	13	**638,292**	740,849
Cash and cash equivalents	14	**689,543**	1,186,423
		1,956,738	2,320,346
TOTAL ASSETS		**2,420,904**	2,680,159
CURRENT LIABILITIES			
Trade and other payables	15	**793,459**	752,280
Lease liability	10	**37,625**	37,625
Warranty provision	16	**37,930**	45,640
		869,014	835,545
NON-CURRENT LIABILITIES			
Lease liability	10	**164,128**	195,327
		164,128	195,327
NET ASSETS		**1,387,762**	1,649,287
EQUITY			
Share capital	17	**1,368,546**	1,363,546
Share premium account		**8,332,910**	8,327,910
Profit and loss account		**(8,313,694)**	(8,042,169)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**1,387,762**	1,649,287

These financial statements were approved and authorised for issue by the Board of Directors on 12 December 2022.

Signed on behalf of the Board of Directors

Vincent Deery
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 2022

	Note	2022 £	2021 £
NON-CURRENT ASSETS			
Investments in Group undertakings	11	**21,377**	21,377
CURRENT ASSETS			
Trade and other receivables	13	**1,388,279**	1,497,404
Cash and cash equivalents	14	**14,072**	24,308
		1,402,351	1,521,712
TOTAL ASSETS		**1,423,728**	1,543,089
CURRENT LIABILITIES			
Trade and other payables	15	**69,466**	64,010
NET ASSETS		**1,354,262**	1,479,079
EQUITY			
Share capital	17	**1,368,546**	1,363,546
Share premium account		**8,332,910**	8,327,910
Profit and loss account		**(8,347,194)**	(8,212,377)
TOTAL EQUITY		**1,354,262**	1,479,079

As permitted by s408 of the Companies Act 2006, a separate income statement for the Company has not been included. The loss for the financial Year dealt with in the financial statements of the Company was £134,817 (2021: profit of £115,553).

These financial statements were approved and authorised for issue by the Board of Directors on 12 December 2022.

Signed on behalf of the Board of Directors

Vincent Deery
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 2022

	Share capital	Share premium	Profit and loss account	Total
CONSOLIDATED	**£**	**£**	**£**	**£**
As at 1 October 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
As at 30 September 2021	1,363,546	8,327,910	(8,042,169)	1,649,287
Shares issued in the year	5,000	5,000	-	10,000
Loss for the year and total comprehensive loss for the year	-	-	(271,525)	(271,525)
As at 30 September 2022	**1,368,546**	**8,332,910**	**(8,313,694)**	**1,387,762**

	Share capital	Share premium	Profit and loss account	Total
COMPANY	**£**	**£**	**£**	**£**
As at 1 October 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
As at 30 September 2021	1,363,546	8,327,910	(8,212,377)	1,479,079
Shares issued in the year	5,000	5,000	-	10,000
Loss for the year and total comprehensive income for the year	-	-	(134,817)	(134,817)
As at 30 September 2022	**1,368,546**	**8,332,910**	**(8,347,194)**	**1,354,262**

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2022

	Note	**2022**	2021
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)/ profit		**(343,537)**	188,721
Adjustments for:			
Depreciation		**6,098**	7,689
Amortisation of intangible assets		**29,381**	19,432
Amortisation of right of use asset	10	**39,375**	43,487
(Decrease)/increase in impairment of inventories		**(11,263)**	99
(Increase)/decrease in inventories		**(224,566)**	57,401
Decrease in trade and other receivables		**132,441**	(426,324)
Increase in trade and other payables		**41,179**	44,650
(Decrease)/increase in warranty provisions		**(7,710)**	11,890
Lease interest		**-**	4,142
Cash used in operating activities		**(338,602)**	(48,813)
Corporation tax received		**48,114**	51,072
Net cash flows (used in)/generated from operating activities		**(290,488)**	2,259
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**440**	103
Purchase of intangibles	8	**(177,345)**	(111,183)
Purchase of property, plant and equipment	9	**(1,862)**	(18,287)
Net cash used in investing activities		**(178,767)**	(129,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loan		**-**	(50,000)
Lease payments (capital and interest)		**(37,625)**	(45,963)
Proceeds from issue of share capital		**10,000**	-
Net cash used in financing activities		**(27,625)**	(95,963)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(496,880)**	(223,071)
Cash and cash equivalents at beginning of year		**1,186,423**	1,409,494
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**689,543**	1,186,423

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

COMPANY CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2022

	Note	2022	2021
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)/profit		**(134,817)**	115,553
Adjustments for:			
Decrease/(increase) in intercompany receivables		**115,049**	(132,596)
Increase in trade and other receivables		**(5,924)**	(9,517)
Increase in trade and other payables		**5,456**	22,666
Net cash used in operating activities		**(20,236)**	(3,894)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**10,000**	-
Net cash flow generated from financing activities		**10,000**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,236)**	(3,894)
Cash and cash equivalents at beginning of year		**24,308**	28,202
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	**14,072**	24,308

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

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 CEO's 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 UK adopted international accounting standards 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 assessed the going concern position of the Group and the Parent Company. As with many businesses engaged in international trade, the Group continues to be impacted by COVID-19, due to both restricted government budgets and local lockdowns/ restrictions. Further details are set out in the CEO's Report on page 5 of this report.

Based on the Group's Board approved trading and cash flow forecasts, for 2023 and 2024, which anticipate a return to profitable trading, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the Financial Statements. The Directors have reached this conclusion after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In making their assessment the Directors have considered the following:

- The Group's performance and underlying causes for incurring a loss in 2022 after two years of profit.
- 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 expansion of the Group's product range to meet the needs of customers.
- The Group's financial plans and commitments including product development, supply chain and other non-variable/ non-discretionary costs.
- The principal risks associated with the business including geo-political risks.

The Directors concluded that the key risk is the unpredictability of demand from customers. Based on current trading, including orders received 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 a reduction of c.25% of the revenue for the year to 30 September 2022, whilst considered extremely unlikely, 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, as has been demonstrated in 2022, including alternative sources of supply, should there be any disruption with existing supply chain arrangements.

The Directors recognise the current global market conditions and the current economic turmoil in the UK mean that there is potential for continued volatility and so uncertainty on future activities and cash flows. These are not considered to give rise to a material uncertainty based the factors noted above and the currently available cash resources.

On this basis the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

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. Where delivery is arranged for the customer, revenue will be recognised either when confirmation of delivery is received from the courier or five working days after collection from site.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. Significant Accounting Policies (Continued)

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Intangible assets

Acquired software

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.

Impairment of non-financial assets

Individual non-financial assets or, if the cash flows cannot be attributed to individual assets, the cash-generating unit, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying value exceeds the recoverable amount of the asset or cash-generating unit. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

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 statement 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. Significant Accounting Policies (Continued)

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.

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 £388k (2021: £276k) of contract liabilities in relation to payments in advance that will be recognised when the contract terms are met.

(b) Impairment considerations

At the Year end, the share price was 1.35p placing, valuing the market capitalisation for the Company at £1.8m. After the Year end, falls in stock markets following economic uncertainty, created in part by the political uncertainties which affected the UK government, led the share price to fall to a point where the market capitalisation was less than the net assets of the Company of £1.4m. This, combined with the trading losses reported in the Year and the volatility created by the ongoing COVID-19 pandemic (which continues to impact some of the countries in which our products are used) and geo-political events, led the Board to carry out an impairment review.

The Board have therefore reviewed the carrying value of the assets of the Group (the "Cash Generating Unit") by reference to value in use of the Group. These are derived from discounted cash flow forecasts which are based on the Board approved budgets for 2023 and 2024, extended out to five years based on a cautious assessment of the likely market conditions, culminating in the determination of a terminal value assuming a long-term growth rate of 2.25%.

Having considered the assumptions, headroom available and a range of plausible sensitivities, the Board are satisfied that no impairments are warranted in respect of the carrying values as at 30 September 2022.

(c) 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 13. 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 continued to use the results of the subsidiary compared to budget and expectations, along with forward-looking information such as forecasts to inform the assessment, concluding that there was a further impairment of £219,876 which has been recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

2. Significant Accounting Policies (Continued)

(d) 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 £172,745 (2021: £96,096) of costs met the criteria of capitalisation. Judgement is required in assessing the achievement of the criteria, 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.

(e) Impairment of inventory

As disclosed in note 12, 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 £19k.

(f) Trade receivables

Trade receivables (note 13) are initially recognised at invoiced value. Where specific amounts remain outstanding or disputed beyond their agreed settlement date management, having reviewed all commercial documentation, proof of delivery and considered the credit risk of the customer, apply judgement as to the likelihood of the future settlement. This judgement will be influenced by the passage of time, the documentation available and previous experience of collection of past due invoices with that customer and the Group's customer base in general.

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.

	2022	2021
	£	£
Group revenue by destination		
UK	**394,557**	419,124
Europe, the Middle East and Africa	**622,908**	814,542
Asia, Indian Subcontinent	**605,458**	1,342,622
America	**379,376**	297,307
	2,002,299	2,873,595

	2022	2021
	£	£
Group revenue by type		
Original equipment	**1,339,130**	2,316,334
After sales	**663,169**	557,261
	2,002,299	2,873,595

	2022	2021
	£	£
Group revenue by timing of transfer of goods		
Point in time (determined by contract)	**1,600,697**	2,484,792
Over time	**401,602**	388,803
	2,002,299	2,873,595

The gross profit was £1,077,919 (2021: £1,514,286) and the trade is primarily B2B.

During the year to 30 September 2022, sales of £575,257 were made to two customers (the largest - £374,123 and the second largest - £201,134) accounting for 29% of total revenue (2021: sales of £1,397,871 were made to two customers (the largest customer - £739,530 and the second largest - £658,341) accounting for 49% of total revenue)).

	2022	2021
	£	£
Contract assets		
At 1 October 2021	**112,589**	3,745
Transfers from contract assets to trade receivables	**(112,589)**	(3,745)
Excess of revenue recognised over invoiced amounts	**52,583**	112,589
At 30 September 2022	**52,583**	112,589

Contract assets are shown in note 13.

	2022	2021
	£	£
Contract liabilities		
At 1 October 2021	**276,013**	204,640
Contract liabilities recognised as revenue in the year	**(155,340)**	(155,697)
Deposits received in advance of performance obligations	**267,501**	227,070
At 30 September 2022	**388,174**	276,013

Contract liabilities are shown in note 15.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

4. Operating (Loss)/Profit

	2022	2021
	£	£
Operating (loss)/profit is stated after charging the following:		
Depreciation of property, plant and equipment	**6,098**	7,689
Amortisation of right of use asset	**39,375**	43,487
Amortisation of intangible assets	**29,381**	19,432
Auditors' remuneration		
Audit – Subsidiary	**40,740**	24,475
Audit – Company	**17,460**	11,775
Other services	**-**	-
Research and development costs expensed	**218,194**	146,487
Cost of inventories recognised as an expense (included in cost of sales)	**648,632**	1,136,346
Foreign exchange losses	**19,691**	18,608

5. Information Regarding and Employees

	Group		**Company**	
	2022	2021	**2022**	2021
	£	£	**£**	£
Total employment costs				
Wages and salaries	**992,425**	1,037,286	**298,528**	320,264
Social security costs	**120,987**	116,377	**40,198**	42,540
Pension costs	**48,129**	44,204	**18,673**	16,831
	1,161,541	1,197,867	**357,399**	379,635
Directors' emoluments				
Management remuneration	**264,005**	281,531	**264,005**	323,730
Fees as Directors	**34,523**	34,522	**34,523**	39,074
Pension contributions	**18,673**	16,831	**18,673**	16,831
	317,201	332,884	**317,201**	379,635
The amounts paid in respect of the highest paid Director are as follows:				
Emoluments	**119,828**	113,910	**119,828**	113,910

	Group 2022 £ Number	2021 £ Number	Company 2022 £ Number	2021 £ Number
Average number of persons employed (including Directors)				
Accounts and administration	**2**	2	**-**	-
Technical	**14**	14	**-**	-
Directors	**5**	5	**5**	5
	21	21	**5**	5
Number of Directors accruing benefits under:				
Defined contribution pension scheme	**2**	2	**2**	2

During the year, Government assistance of £nil (2021: £39,266) 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 23 to 24.

Related party transactions are disclosed in note 18.

6. Tax on (Loss)/Profit

a) Analysis of credit in the year

	2022 £	2021 £
Current tax		
Current tax on (loss)/profit for the year	**77,998**	51,072
Total tax credit	**77,998**	51,072

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

	2022 £	Restated 2021 £
(Loss)/profit before tax	**(349,523)**	188,824
Tax on profit at 19% (2021:19%)	**(66,409)**	35,877
Movement in unprovided deferred tax	**21,856**	(43,050)
Enhanced R&D relief	**(57,768)**	(55,611)
Surrender of tax losses for R&D tax credit refund	**24,206**	14,870
Permanent timing differences	**117**	-
Adjustment in respect of prior year	**-**	(3,157)
Actual tax credit for the year (note 6a)	**(77,998)**	(51,072)

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

6. Tax on (Loss)/Profit (Continued)

The restatement of the reconciliation of the tax charge corrects errors in the amounts presented as reconciling items in the prior year. The previous disclosure reconciled a tax charge of £35,876 (based on the profit of £188,824) to a tax charge of £51,072 whereas the actual number was a tax credit of £51,072. This correction of this error has no impact on the primary statements.

The increase in UK Corporation Tax from 19% to 25% will be effective from 1st April 2023. As this rate was substantively enacted at the current and previous statement of financial position date, the unrecognised deferred tax assets continue to be calculated at this rate.

c) Deferred Tax Asset

The net deferred tax assets have not been recognised as, with the continued availability of enhanced deductions for R&D expenditure, the directors do not believe it is probable that these assets will be recovered in the foreseeable future. The unrecognised deferred tax assets, calculated at 25%, are as follows.

	2022	2021
	£	£
Capital allowances	**2,883**	741
Development costs	**(38,965)**	(22,867)
Other timing differences	**-**	(1,875)
Trading losses	**1,455,188**	1,387,734
	1,419,106	1,363,733

7. Earnings Per Share

	2022	2021
	£	£
(Loss)/profit for the year	**(271,525)**	239,896
Weighted average number of ordinary shares in issue	**136,753,207**	136,354,577
Number of diluted shares	**136,757,988**	136,463,866
Basic (loss)/profit per share	**(0.20)p**	0.18p
Diluted (loss)/profit per share	**(0.20)p**	0.17p

The diluted earnings 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, in light of the losses being reported, all of the options are therefore considered to be anti-dilutive.

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 2020	41,428	-	41,428
Additions	15,087	96,096	111,183
At 30 September 2021	**56,515**	**96,096**	**152,611**
Additions	**4,600**	**172,745**	**177,345**
At 30 September 2022	**61,115**	**268,841**	**329,956**
Amortisation			
At 1 October 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**
Provided during the year	**12,496**	**16,885**	**29,381**
At 30 September 2022	**50,887**	**21,515**	**72,402**
Net book value			
At 30 September 2022	**10,228**	**247,326**	**257,554**
At 30 September 2021	18,124	91,466	109,590

9. Property, Plant and Equipment

Group	Computer equipment £	Demonstration equipment £	Plant and equipment £	Total £
Cost				
At 1 October 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**
Additions	**1,862**	**-**	**-**	**1,862**
At 30 September 2022	**128,893**	**76,044**	**118,765**	**323,702**
Depreciation				
At 1 October 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**
Provided during the year	**466**	**-**	**5,632**	**6,098**
At 30 September 2022	**122,857**	**76,044**	**111,242**	**310,143**
Net book value				
At 30 September 2022	**6,036**	**-**	**7,523**	**13,559**
At 30 September 2021	4,640	-	13,155	17,795

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

10. Leases

Right of use asset - Property	2022 £	2021 £
At 1 October 2021	**232,428**	39,664
Additions	**-**	236,251
Amortisation	**(39,375)**	(43,487)
At 30 September 2022	**193,053**	232,428

Lease liability - Property		
At 1 October 2021	**232,952**	38,522
Additions	**-**	236,251
Interest charged	**6,426**	4,142
Lease payments (capital and interest)	**(37,625)**	(45,963)
At 30 September 2022	**201,753**	**232,952**

The maturity of the lease payments is as follows:

	Within one year £	Within 1 – 2 years £	Within 2 – 5 years £	Total £
Lease liability	**37,625**	**37,625**	**126,503**	**201,753**

11. Investments

Subsidiary undertakings – Company

	2022 £	2021 £
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 2022 £	Investment shares at cost 2021 £
Image Scan Limited	Dormant company	England	100%	**51,000**	51,000
3DX-Ray Limited	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. Inventories

	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Raw materials	**255,882**	162,894	**-**	-
Work in progress	**192,269**	158,498	**-**	-
Finished goods	**180,752**	71,682	**-**	-
	628,903	393,074	**-**	-

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 decreased by £11,263 (2021: increased by £99) in the Group accounts.

13. Trade and Other Receivables

	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Trade receivables	**338,776**	455,508	**-**	-
Accrued income on contracts	**52,583**	112,589	**-**	-
Other receivables and prepayments	**239,037**	172,752	**45,228**	40,344
VAT recoverable	**7,896**	-	**7,961**	6,920
Amounts due from subsidiary undertakings	**-**	-	**1,335,090**	1,450,140
	638,292	740,849	**1,388,279**	1,497,404

Trade receivables and contract assets are grouped based on similar credit risk and ageing. Included in receivables is a sum of £62k which is overdue and, although it is expected to be recovered under a letter of credit, there remains some uncertainty. In the event recovery cannot be enforced, the amount due is matched by deferred revenue in contract liabilities, with no income statement exposure.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022

13. Trade and Other Receivables (Continued)

At 30 September 2022, the lifetime expected credit loss provision, excluding the specific debt referred to above and 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%	0.10%	**0.10%**	0.10%
Gross carrying amount	**338,776**	156,671	163,452	**3,040**	15,613
Loss provision	**182**	-	163	**3**	16

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 2022, the lifetime expected credit loss provision for amounts due for group undertakings is as follows:

Company	**2022** **£**	2021 £
Amounts recoverable from Group undertakings	**10,200,936**	10,096,110
Expected credit loss brought forward	**(8,645,970)**	(8,645,970)
Impairment in financial year	**(219,876)**	-
Expected credit loss carried forward	**(8,865,846)**	(8,645,970)
At 30 September 2022	**1,335,090**	1,450,140

The details regarding the intercompany debtor can be found in Transactions with Related Parties in note 18. 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.

14. Cash and Cash Equivalents

	Group		**Company**	
	2022 **£**	2021 £	**2022** **£**	2021 £
Cash and cash equivalents	**689,543**	1,186,423	**14,072**	24,308

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.

15. Trade and Other Payables

Amounts falling due within one year	Group 2022 £	2021 £	Company 2022 £	2021 £
Trade payables	**284,334**	275,752	**19,046**	26,810
Contract liabilities	**388,174**	276,014	**-**	-
Other tax and social security	**33,455**	28,743	**-**	-
Accruals	**87,496**	170,538	**50,420**	37,200
VAT payable	**-**	1,233	**-**	-
	793,459	752,280	**69,466**	64,010

At 30 September 2022 accruals included pension contributions payable amounting to £nil (2021: £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 £377,308 (2021: £246,962) at 30 September 2022.

Sales of extended warranties held as contract liabilities amount to £26,275 (2021: £34,435). 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	12,987	13,288	-	26,275

16. Provisions for Liabilities and Charges

Group warranty provision	2022 £	2021 £
At 1 October 2021	**45,640**	33,750
Provision in year	**41,275**	51,492
Utilised in the year	**(11,417)**	(23,212)
Released during the year	**(37,568)**	(16,390)
At 30 September 2022	**37,930**	45,640

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

17. Share Capital

	2022	2021
	£	£
Authorised		
200,000,000 ordinary shares of 1 pence each	**2,000,000**	2,000,000
Called up, allotted and fully paid		
136,854,577 (2021: 136,354,577) ordinary shares of 1 pence each	**1,368,546**	1,363,546

During the year, the company made an issue of 500,000 (2021:nil) ordinary shares.

The following share options are outstanding at 30 September 2022:

Image Scan Share Option Scheme	**Date of issue**	**Quantity**	**Exercise price**	**Fair value**	**Vesting period**	**Expiry date**
Enterprise Management Incentive	17/09/2014	1,200,000	2.0p	6,762	3 years	17/09/2024
Unapproved Scheme	11/04/2014	400,000	3.375p	3,398	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	2,150,000	2.25p	9,583	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	930,000	6.25p	4,145	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:

	2022		2021	
	£	**WAEP**	£	WAEP
At 1 October 2021	**10,020,000**	**2.99**	10,020,000	2.99
Exercised in year	**(500,000)**	**(2.00)**	-	-
Options lapsed in year	**(1,000,000)**	**(2.00)**	-	-
Options lapsed in year	**(1,500,000)**	**(3.375)**		
Options lapsed in year	**(1,000,000)**	**(2.25)**		
Options lapsed in year	**(440,000)**	**(6.25)**	-	-
At 30 September 2022	**5,580,000**	**3.03**	10,020,000	2.99

The weighted average remaining contractual life of share options outstanding at the year end was 1.69 years (2021: 3.74 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

18. Transactions with Related Parties

During the year, Image Scan Holdings plc provided management services to the value of £625,449 (2021: £664,361) 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 £8,865,846 (2021: £8,674,279) is held:

	2022	2021
	£	£
3DX-Ray Limited	**9,313,720**	9,208,894
Image Scan Limited	**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 (2021: £nil) and £407 (2021: £564) respectively. An amount of £nil (2021: £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 £679 (2021: £1,138). An amount of £nil (2021: £149) is included in trade payables at the year end.

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 £320,201 (2021: £379,634).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2022

19. 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	
	2022	2021	**2022**	2021
	£	£	**£**	£
Cash and cash equivalents	**689,543**	1,186,422	**14,072**	24,308
Trade and other receivables	**436,828**	598,226	**1,335,090**	1,450,140
Accrued income on contracts	**52,583**	112,589	**-**	-
	1,178,954	1,897,237	**1,349,162**	1,474,448

Financial liabilities	Group		Company	
	2022	2021	**2022**	2021
	£	£	**£**	£
Trade and other payables	**371,830**	446,291	**69,466**	64,010
Lease liability	**201,753**	232,952	**-**	-
	573,583	679,243	**69,466**	64,010

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 page 8.

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

	2022	2021
	£	£
Due in less than one month	**174,089**	192,307
Due between one and three months	**135,193**	152,709
Due between three months and one year	**148,549**	138,900
Due after one year	**158,752**	195,327
	573,583	679,243

Currency profile

At 30 September 2022 trade and other receivables included US$28,947 (2021: US$114,826 and amounts payable included US$146,286 and Euro 1,545 (2021: US$187,385 and EUR nil). 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.

DIRECTORS AND PROFESSIONAL ADVISORS

Directors

Timothy Jackson
Chairman

Richard Leaver
Deputy Chairman

Vincent Deery
Chief Executive Officer

Sarah Atwell King
Chief Financial Officer

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

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
Water Court Ground Floor – Suite B
116-118 Canal Street
Nottingham
NG1 7HF

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the shareholders will be held at 1.30 p.m. on 28 February 2023 at the registered offices of the Company at 16-18 Hayhill Industrial Estate, Barrow upon Soar, Leicestershire, LE12 8LD for the purpose of considering and, if thought fit, passing the following resolutions as to Resolutions 1–7 as Ordinary Resolutions and Resolution 8 as Special Resolution.

Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 30 September 2022 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 2022.
3. To re-elect as a Director V J Deery.
4. To re-elect as a Director T D Jackson.
5. To re-elect as a Director S P G Vadgama.
6. To re-appoint BDO LLP as auditors and to authorise the Directors to fix their remuneration.
7. That, in accordance with Section 551 of the Companies Act 2006 (the ‘Act’), the Directors be hereby generally and unconditionally authorised to allot new ordinary shares or grant rights to subscribe for or to convert any securities into new ordinary shares (‘Rights’), up to an aggregate nominal amount of £136,855 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (whichever is earlier) save that the Directors may, before the expiry of such period, make an offer or agreement which would or might require new ordinary shares to be allotted or Rights to be granted after the expiry of such period, and the Directors of the Company may allot new ordinary shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolution

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

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

   b. otherwise than pursuant to Resolution 7a above, up to an aggregate nominal amount of £136,855,

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

By order of the Board

Sarah Atwell King

Company Secretary

NOTICE OF MEETING (CONTINUED)

Notes:

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 but not vote. 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.
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 24 February 2023 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
16–18 Hayhill Industrial Estate
Sileby Road
Barrow-Upon-Soar
Leicestershire LE12 8LD

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