



Image Scan
www.ish.co.uk

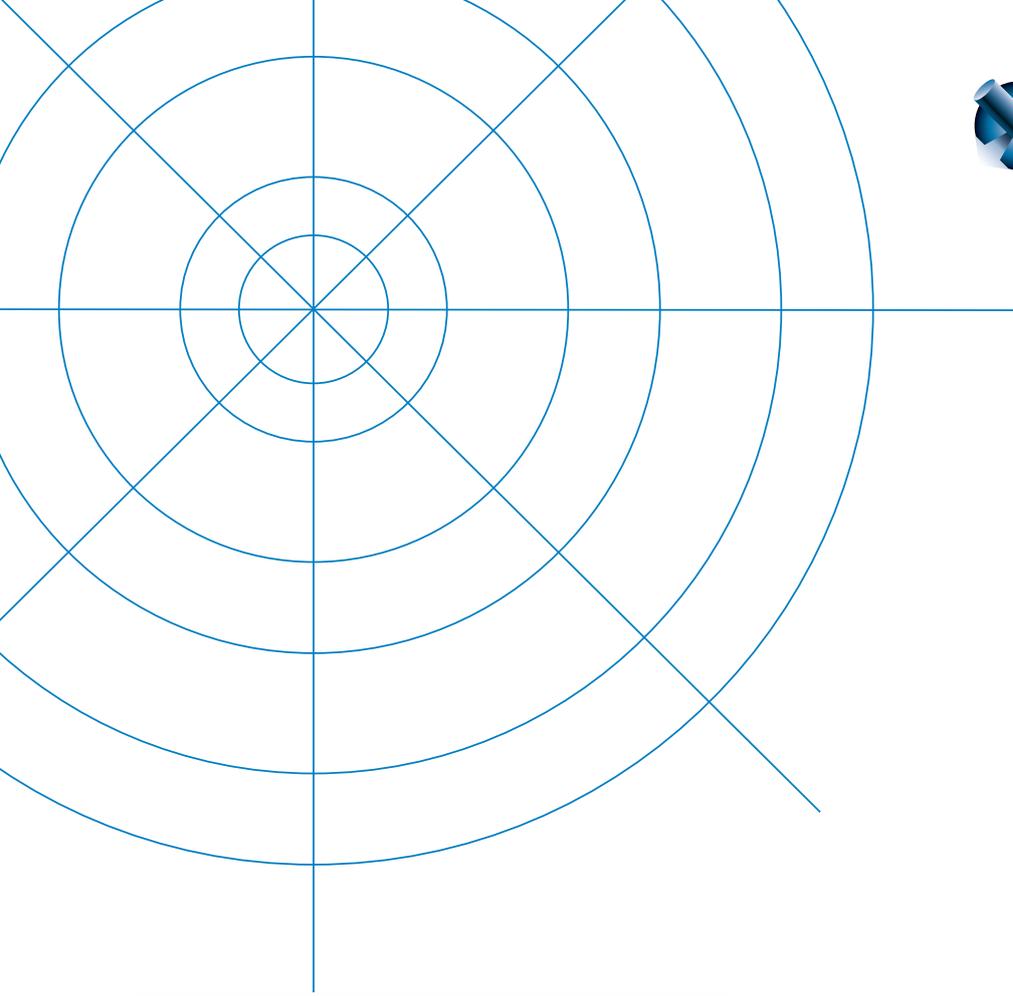


Image Scan Holdings plc
annual report and accounts 2012

Advanced x-ray systems

Corporate statement

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

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

Highlights

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Key points

- Revenue doubled to £4,302,000 (2011: £2,174,000)
- Gross margin of 38% (2011: 41%)
- Significant investment of £388,000 (2011: £137,000) in product development to support sales growth
- Maiden profit on ordinary activities after taxation of £108,000 (2011: loss of £237,000)

Post-year-end events

- Appointment of Vincent Deery to the Board as Sales and Marketing Director, effective 1 January 2013
- Nick Fox to step down as Chief Technical Officer as of 11 June 2013 but will be retaining his position on the Board as a Non-Executive Director.

Chairman's statement

BRIAN S EMSLIE
CHAIRMAN

“2012 marks the first year of profitable trading for the Company. Further progress has been made in steering the business, in line with our strategy, towards becoming a more proactive sales and marketing-led organisation.”

I am pleased to report on the results for Image Scan for the year ended 30 September 2012.

Following the break-even results for the second half of the previous financial year, the Board is encouraged by its report on a modest profit after taxation for the year ended 30 September 2012 of £108,000 (2011: loss of £237,000). It should be noted that this is the first 18 month period of profitability for the Company since being founded in 1996. Having achieved its maiden profit, the Board is now focused on endeavouring to maintain the sustainability of the business and enhancing levels of profitability.

Whilst the results are more positive, the Board recognises that achieving critical mass in this increasingly competitive market continues to be challenging. Bearing in mind the risks inherent with the current scale of our business, the Board remains open to exploring all strategic options that may materialise.

Board changes

With effect from 11 June 2013, Nick Fox will be stepping down from his position as Chief Technical Officer and moving into the role of Non-executive Director with the Company. Nick has decided to pursue other career interests whilst continuing his long association with Image Scan as a Board member. Having founded the Company, Nick has served as a Director for over 16 years in the role of both Chief Executive Officer and latterly Chief Technical Officer, responsible for guiding the Company's evolution and development of its core technology. I am sure you will all join me in thanking Nick for his considerable contribution over the years and also look forward to being able to have the continued benefit of his guidance and wisdom as he transitions into the new role as a Non-executive Director.

I am pleased to announce that Vincent Deery, who has served as a director of 3DX-RAY Ltd for the past four years, has been appointed as Sales and Marketing Director to the Board of Image Scan with effect from 1 January 2013. Vincent has been responsible for building our sales and marketing team to deliver higher sales volumes in target applications and sectors. This appointment recognises the importance the Board is placing on the overall business development and the need to listen to our customers and to develop and enhance our product offerings to meet the requirements of end users.

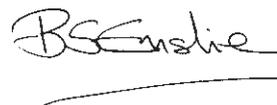
Strategy update

The turnaround in performance achieved during the past two years has validated the strategy of the Company in increasing its range of standard security equipment and identifying high-value industrial opportunities with potential for commercial development and repeat business. Furthermore, the investment in the sales team and the Company's website has both extended the sales reach in a number of key territories and given rise to a higher volume of and more relevant web-based enquiries. As a result the Company's pipeline of potential business is stronger and of a level to support increased sales activity.

As reported in June, the Board has revisited the strategy with the aim of taking a longer-term strategic view of how to strengthen the business. A detailed review has now been undertaken including the potential to seek additional funding to enhance and expand the Company's product range. The conclusion of this review was that the business risks, forecasted margins and resultant return rendered such an investment step not in the best interest of shareholders and potential investors at this time. On this basis our strategy will continue to involve incremental investment in broadening and enhancing our product range on an ongoing basis.

The next steps for 2013 are to capitalise on the significant investment made in product development, to consolidate recent business growth and to focus on enhancing margins to achieve more acceptable levels of profitability.

The Board believes that the Company has progressed well in implementing the strategy. Development of a profitable and sustainable business with less reliance on one-off large contracts and a wider, more diffuse set of customers in both sectors is the challenge for 2013. Whilst remaining confident that the business can develop further we remain cognisant of the risks involved and the relatively limited cash position of the Company.



Brian S Emslie
Chairman

10 December 2012

Chief Executive's report

LOUISE J GEORGE
CHIEF EXECUTIVE OFFICER

“The investment in increased activity in territory during 2012 is evident in the strong sales enquiry pipeline. This is giving greater visibility on future sales to support budgeting and production planning.”

Financial results

Revenue in the year ended 30 September 2012 doubled to £4,302,000 (2011: £2,174,000) with strong growth across both the security and the industrial sectors. Sales of security equipment increased by 119% to £2,954,000 (2011: £1,351,000) primarily as a result of sales of the new small vehicle x-ray inspection system, SVXi. On the industrial side revenue grew by 64% to £1,348,000 (2011: £823,000) due to revenue accruing on the nuclear contract secured in 2011 and sales of the new MDXi-200 industrial inspection system.

The gross margin of 38% (2011: 41%) has been reduced compared to the previous year's by the high costs of delivering the nuclear contract, the substantial amount of subcontracted work on the SVXi system by comparison to smaller builds that have been historically assembled in-house and the incurrence of one-off engineering costs associated with product introduction.

Overheads at £1,624,000 (2011: £1,169,000) have shown a sharp increase due to the necessary and significant investment of £388,000 (2011: £137,000) in the development of new products and variants of existing products in order to expand the product range and in turn support the sales growth.

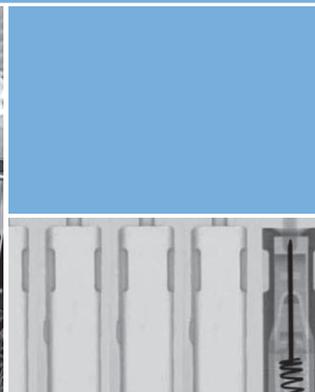
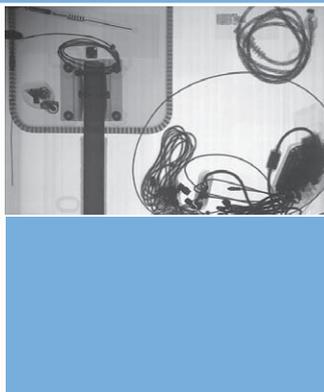
As a result of the reported trading activities in 2012, the Company has secured its maiden profit after taxation of £108,000 (2011: loss of £237,000). The earnings per share was 0.14p (2011: loss per share 0.36p).

The year-end cash balance of £74,000 (2011: £945,000) was low by comparison to last year because the 2011 balance included up-front contract payments of £520,000, whereas in 2012 there are significant trade debtor balances relating to September sales against which £350,000 was received within a few days of the year end. In addition there has been further investment in stock to support the enlarged product range. The cash at bank as of 10 December 2012 stood at £343,000. The Company has retained its £100,000 overdraft facility with the Royal Bank of Scotland.

Product development

Over the last few years the Company has extended its product offering through incremental development of existing products and investment in new products aimed specifically at meeting end user requirements:

- ✦ **AXIS** - The range of baggage screening products has been extended from one to four systems to include three different tunnel sizes and one 3D variant.
- ✦ **FlatScan** - In addition to the original FlatScan-TPXi large, thin panel system, the portable screening range now includes a smaller panel providing increased portability with the same high quality resolution. The second generation of the TPXi system is due to be launched early in 2013 incorporating the latest ThreatSpect software, giving greater image clarity and providing a 3D option of this system for the first time.
- ✦ **SVXi** - A significant element of the development carried out in 2012 related to a mobile trailer x-ray system for the screening of small vehicles. Although this was based on earlier work carried out with the UK Home Office to build a proof of technology, the mechanical design and build of the x-ray system and the development of the software involved what was effectively a complete new product programme. Looking forward the Company is focusing most of its R&D efforts in 2013 on the further development of the vehicle screening product range.
- ✦ **MDXi** - Following a long period of collaboration with a key customer researching the requirements for a compact, low-cost x-ray system the Company has now developed the MDXi-200 system to complement the existing MDXi-400 and MDXi-NT systems which were originally developed over five years ago. It is believed that the MDXi-200 system will have a broader range of industrial applications where inspection system footprint is a key consideration for incorporation into the planning and cost of production lines.



- Medspect - Again following lengthy discussions with our customer, in 2012 the Company secured an order for an industrial x-ray system applicable for the inspection of small medical devices.

Outlook

Order intake during 2012 totalled £2.5million (FY11: £4.3million). Although lower by comparison to the previous year, there were two substantial contracts in 2011 which accounted for over half of the order intake. Orders received during 2012 involved a stream of smaller contracts with a mix of 69% security and 31% industrial sales across a wider range of customers and geographical spread.

The investment in increased activity in territory during 2012 is evident in the strong sales enquiry pipeline. This is giving greater visibility on future sales to support budgeting and production planning. Similarly, the investment in the product range described above coupled with having more established reference sites is providing the Company with a platform from which to grow sales opportunities.

Staff

During the year the Company appointed a new Engineering Manager and implemented some internal restructuring to give additional operational responsibility to a number of long-standing members of staff. Due to the high level of product development and first builds in 2012, it was necessary for the Board to balance resourcing so as to retain knowledge within the Company whilst maintaining the flexibility to supplement with temporary staff. Based on the increased level of activity in 2012 and visibility of sales projections for 2013, the Company has now invested in additional permanent staff within the software, engineering and sales teams.

The Board greatly appreciates the considerable efforts made by our staff to meet the challenges of the past year, so I would like to take this opportunity to personally thank everyone for their continuing commitment to the Company.

Louise J George
Chief Executive Officer
10 December 2012



Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2012.

Business activity, review of developments and future prospects

The principal activities of the Group have been the continuing development and commercialisation of x-ray imaging technology. Further details can be found in the Chairman's statement and the Chief Executive's report set out on pages 1 to 3. The Company acts as a holding company.

Results and dividends

The results for the year ended 30 September 2012 show a profit after tax of £107,985 (2011: loss of £237,183). The Directors do not recommend the payment of a dividend.

Key performance indicators

Monthly consolidated management accounts are prepared for the Board and include key metrics such as turnover and gross profit by sector, EBITDA and trade and other receivables figures.

Directors

The Directors who held office on 30 September 2012 were as follows:

- ✿ L J George
- ✿ N D Fox
- ✿ B S Emslie
- ✿ I S S Johnson

Shareholdings

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

	%	Ordinary shares of 1p each
Rise Step International Development Ltd	26.05	19,873,331
Calculus Capital	7.30	5,569,812
D Allenby	8.08	6,165,167
A P Stirling	4.94	3,770,826
Directors' shareholdings:		
N D Fox	3.34	2,531,788
B S Emslie	0.39	300,000
L J George	0.19	148,000
I S S Johnson	0.19	142,857

Payment policy

The Group's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then to abide by these terms. At 30 September 2012, trade payables represented 54 days' purchases (2011: 23 days).

Research and development

Research and development was focused on developing the small vehicle x-ray inspection system, SVXi, and the development of two industrial inspection systems aimed at new applications. Costs in the year amounted to £387,981 (2011: £136,780).

Fixed assets

The intangible assets as detailed in note 9 have been fully written down in a previous period.

The movement in fixed asset investments during the year relates to impairment and provision against the subsidiary companies as detailed in note 10 to the financial statements.

Company number

03062983

Financial instruments

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

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

Liquidity risk

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

Foreign currency risk

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

Directors' statement of responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal risks and uncertainties

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

- how the loss of key personnel would affect the Group; and
- its ability to develop and market its products successfully before competitors emerge and erode the Group's competitive advantage.

The Directors continue to monitor the development of its products to ensure the Group retains the competitive advantage. The Directors regularly review the risks facing the Group and seek to exploit, avoid or mitigate those risks as appropriate.

Going concern

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

Statement as to disclosure of information to auditors

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

Auditors

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

On behalf of the Board



Louise George
Chief Executive
10 December 2012

Statement of corporate governance

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

Set out below is a summary of how, at 30 September 2012, the Company was dealing with the key requirements of the Code.

The Board

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

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

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

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

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

Board committees

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

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

The Nominations Committee comprises Brian Emslie, Louise George and Ian Johnson. The Nominations Committee did not have cause to meet during the year.

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

Internal controls and risk management

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

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

Relations with shareholders

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

Remuneration report

The Directors present the Directors' Remuneration report for the year ended 30 September 2012. This report has not been prepared in accordance with the Directors' Report Regulations because, as an AIM company, Image Scan Holdings plc does not fall within the scope of these regulations.

Remuneration policy

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

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

Base salary and benefits

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

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

Directors' pension policy

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

Service contracts

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

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

Directors' emoluments

Information about Directors' emoluments is as follows:

Directors	Basic salary £	Fees £	Benefits £	Pension contributions £	Total emoluments	
					2012 £	2011 £
Executive						
N D Fox	76,000	–	960	6,850	83,810	82,873
L J George	81,000	–	736	7,250	88,986	88,918
Non-executive						
B S Emslie	–	20,000	–	–	20,000	20,000
I S S Johnson	–	11,250	–	–	11,250	15,000
Total 2012	157,000	31,250	1,696	14,100	204,046	206,791
Total 2011	156,167	35,000	1,524	14,100		

Remuneration report continued

Share option schemes

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

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

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

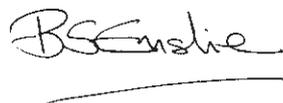
Holder	Image Scan share option scheme	Number	Exercise price	Date of grant	Vesting period	Expire
L J George	Enterprise Management Incentive	10,000	51.50p	14/03/2003	3 years	14/03/2013
	Enterprise Management Incentive	80,000	15.00p	30/09/2005	3 years	30/09/2015
	Enterprise Management Incentive	100,000	18.25p	02/10/2006	3 years	02/10/2016
	Enterprise Management Incentive	750,000	15.00p	28/01/2008	Over 5 years ¹	30/11/2017
	Enterprise Management Incentive	150,000	4.00p	01/03/2010	3 years	01/03/2020
N D Fox	Enterprise Management Incentive	80,000	15.00p	30/09/2005	3 years	30/09/2015
	Enterprise Management Incentive	100,000	18.25p	02/10/2006	3 years	02/10/2016
	Enterprise Management Incentive	750,000	15.00p	28/01/2008	Over 5 years ¹	30/11/2017
I S S Johnson	Enterprise Management Incentive	150,000	4.00p	01/03/2010	3 years	01/03/2020
	Unapproved	250,000	10.00p	28/01/2008	3 years	30/11/2017
B S Emslie	Unapproved	80,000	4.00p	01/03/2010	3 years	01/03/2020
	Unapproved	500,000	4.00p	01/03/2010	3 years	01/03/2020

¹ The vesting period follows a 1:2:3:2:1 profile between one and five years from the date of grant.

Share price performance

The highest and lowest share prices during the year were 3.63p and 2.00p per share respectively. The closing mid-market price was 2.00p per share.

On behalf of the Board



Brian S Emslie
Chairman

10 December 2012

Independent auditors' report

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

We have audited the financial statements of Image Scan Holdings plc for the year ended 30 September 2012 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted for use in the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- ⊗ the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 30 September 2012 and of the Group's profit for the year then ended;
- ⊗ the Group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- ⊗ the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- ⊗ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Charles Baynes (Senior Statutory Auditor)

for and on behalf of Wilkins Kennedy LLP, Statutory Auditor and Chartered Accountants

Bridge House, London Bridge, London SE1 9QR

10 December 2012

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 £	2011 £
Continuing operations			
Revenue	3	4,301,983	2,173,757
Cost of sales		(2,647,129)	(1,272,548)
Gross profit		1,654,854	901,209
Administrative expenses		(1,624,063)	(1,169,323)
Operating profit/(loss)	4	30,791	(268,114)
Finance income		880	875
Profit/(loss) before taxation		31,671	(267,239)
Taxation	6	76,314	30,056
Profit/(loss) for the year from continuing operations to the equity owners of the parent company		107,985	(237,183)
		2012 pence	2011 pence
Earnings per share			
Basic and diluted earnings/(loss) per share	7	0.14	(0.36)

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

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

Consolidated statement of financial position

AS AT 30 SEPTEMBER 2012

	Note	2012 £	2011 £
Non-current assets			
Property, plant and equipment	8	39,234	43,548
Intangible assets	9	–	–
		39,234	43,548
Current assets			
Inventories	11	412,950	315,450
Trade and other receivables	12	1,121,490	566,632
Cash and cash equivalents	13	73,782	945,201
Current tax asset		75,385	29,474
		1,683,607	1,856,757
Total assets		1,722,841	1,900,305
Current liabilities			
Trade and other payables	14	699,962	999,380
Warranty provision	15	46,140	29,449
Total liabilities		746,102	1,028,829
Net assets		976,739	871,476
Equity			
Share capital	17	762,679	762,679
Share premium account		7,501,105	7,501,105
Retained losses		(7,287,045)	(7,392,308)
Total equity attributable to shareholders		976,739	871,476

These financial statements were approved by the Board of Directors on 10 December 2012.

Signed on behalf of the Board of Directors



Louise J George
Chief Executive Officer

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

Company statement of financial position

AS AT 30 SEPTEMBER 2012

	Note	2012 £	2011 £
Non-current assets			
Investments in Group undertakings	10	1	1
Current assets			
Trade and other receivables	12	989,076	4,719
Cash and cash equivalents	13	6,058	922,168
		995,134	926,887
Total assets		995,135	926,888
Current liabilities			
Trade and other payables	14	18,396	19,443
Net assets		976,739	907,445
Equity			
Share capital	17	762,679	762,679
Share premium account		7,501,105	7,501,105
Retained earnings		(7,287,045)	(7,356,339)
Total equity		976,739	907,445

These financial statements were approved by the Board of Directors on 10 December 2012.

Signed on behalf of the Board of Directors



Louise J George
Chief Executive Officer

Statements of changes in equity

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Group	Share capital £	Share premium £	Retained earnings £	Total £
As at 1 October 2010	612,679	7,361,105	(7,159,758)	814,026
Share issue	150,000	140,000	–	290,000
Loss for the year	–	–	(237,183)	(237,183)
Share-based transactions	–	–	4,633	4,633
As at 30 September 2011	762,679	7,501,105	(7,392,308)	871,476
Profit for the year	–	–	107,985	107,985
Share-based transactions	–	–	(2,722)	(2,722)
As at 30 September 2012	762,679	7,501,105	(7,287,045)	976,739

Company	Share capital £	Share premium £	Retained earnings £	Total £
As at 1 October 2010	612,679	7,361,105	(7,159,758)	814,026
Share issue	150,000	140,000	–	290,000
Loss for the year	–	–	(201,214)	(201,214)
Share-based transactions	–	–	4,633	4,633
As at 30 September 2011	762,679	7,501,105	(7,356,339)	907,445
Profit for the year	–	–	72,016	72,016
Share-based transactions	–	–	(2,722)	(2,722)
As at 30 September 2012	762,679	7,501,105	(7,287,045)	976,739

As permitted by Companies Act 2006, a separate income statement for the company has not been included. The profit for the financial year dealt with in the financial statements of the company was £72,016 (2011: loss of £201,214).

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

Consolidated cash flow statement

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Operating profit/(loss)		30,791	(268,114)
Adjustments for:			
Depreciation		33,435	39,615
Increase in inventories		(97,500)	(42,443)
Increase in trade and other receivables		(554,857)	(246,892)
(Decrease)/increase in trade and other payables		(282,727)	825,041
Share-based payments		(2,722)	4,633
Net cash (used in)/generated from operating activities		(873,580)	311,840
Corporation tax recovered		30,403	28,525
Net cash (outflow)/inflow from operating activities		(843,177)	340,365
Cash flows from investing activities			
Interest received		880	875
Purchase of property, plant and equipment	8	(29,122)	(35,731)
Receipt from disposal of assets		–	2,055
Net cash used in investing activities		(28,242)	(32,801)
Cash flows from financing activities			
Issue of ordinary share capital		–	290,000
Net cash generated from financing activities		–	290,000
Net (decrease)/increase in cash and cash equivalents		(871,419)	597,564
Cash and cash equivalents at beginning of year		945,201	347,637
Cash and cash equivalents at end of year	13	73,782	945,201

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

Company cash flow statement

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Operating profit/(loss)		71,137	(202,087)
Adjustments for:			
Decrease in trade and other receivables		2,603	2,425
(Decrease) in trade and other payables		(1,047)	(10,277)
Share-based payments		(2,722)	4,633
Net cash inflow/(outflow) from operating activities		69,971	(205,306)
Cash flows from investing activities			
Interest received		879	873
Net cash from investing activities		879	873
Cash flows from financing activities			
Issue of ordinary share capital		–	290,000
Movement in intercompany balances		(986,960)	501,435
Net cash (used in)/from financing activities		(986,960)	791,435
Net (decreased)/increase in cash and cash equivalents		(916,110)	587,002
Cash and cash equivalents at beginning of year		922,168	335,166
Cash and cash equivalents at end of year	13	6,058	922,168

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

Notes to the financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2012

1. General information

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

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

2. Significant accounting policies

Basis of preparation

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

Taxation

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

Going concern

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

New standards and interpretations

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

- amendments to IAS 19 'Employee benefits'. This standard is effective for accounting periods commencing on or after 1 January 2013; and
- amendments to IAS 1 'Presentation of items of other comprehensive income (OCI)'. The amendments require companies preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. They are effective for accounting periods commencing on or after 1 July 2012.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (and its subsidiaries) made up to 30 September each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Leases

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

Long-term contracts

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

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

Property, plant and equipment

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

- Computer equipment - three years
- Demonstration equipment - three years
- Plant and office equipment - three years

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

Pension costs

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

Deferred taxation

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

2. Significant accounting policies continued

Investments

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

Inventories

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

Development costs

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

Patent costs

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

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

Foreign currencies

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

Share-based payments

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

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

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

Accounting judgements and key sources of estimation uncertainty

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

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

Allowance for doubtful debts

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

Inventories

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

Warranty provision

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

Notes to the financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2012

3. Revenue

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

	2012			2011		
	Security £	Industrial £	Total £	Security £	Industrial £	Total £
Group revenue by destination and sector						
UK	207,932	920,105	1,128,037	25,805	755,918	781,723
US	20,668	111,795	132,463	22,821	18,613	41,434
Rest of World	2,725,705	315,778	3,041,483	1,301,885	48,715	1,350,600
	2,954,305	1,347,678	4,301,983	1,350,511	823,246	2,173,757
Gross profit by sector	1,045,824	609,030	1,654,854	560,268	340,941	901,209

4. Operating profit/(loss)

	2012 £	2011 £
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation – owned assets	33,436	39,615
Loss on disposal of property, plant and equipment	–	–
Research and development costs	387,981	136,780
Operating leases	41,698	48,071
Auditors' remuneration		
Audit – Group	13,750	13,250
Audit – Company	3,750	2,750
Other services	3,966	2,913
Cost of inventories recognised as an expense (included in cost of sales)	2,252,240	1,024,107
Amount of write-down of inventories recognised as an expense in the period	–	868
Exchange rate gain/(loss)	12,520	(9,769)

5. Information regarding Directors and employees

	2012 £	2011 £
Directors' emoluments		
Management remuneration	158,696	157,691
Fees as Directors	31,250	35,000
Pension contributions	14,100	14,100
	204,046	206,791

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

	£	£
The amounts paid in respect of the highest paid Director are as follows:		
Emoluments	81,736	81,668
Pension contributions	7,250	7,250
	88,986	88,918

5. Information regarding Directors and employees continued

	2012 Number	2011 Number
Average number of persons employed (including Directors)		
Accounts and administration	3	3
Technical	12	11
Directors	4	4
	19	18
	£	£
Staff costs during the year (including Directors)		
Wages and salaries	816,447	727,401
Social security costs	89,789	86,337
Pension costs	29,305	32,738
Share-based payments (option scheme)	(2,722)	4,633
	932,819	851,109

Ian Johnson Associates Limited, a company in which Ian Johnson has a material interest and of which he is a director, provided consultancy services amounting to £1,425 (2011: £1,326) and I-see Associates Ltd, a company in which Brian Emslie has a material interest and of which he is a director, provided consultancy services amounting to £1,342 (2011: £1,018). An amount of £312 (2011: £nil) due to Ian Johnson Associates Limited is included in trade payables at the year end. Directors' remuneration is detailed within the Remuneration report set out on pages 7 to 8.

6. Tax on results on ordinary activities**a) Analysis of credit in the year**

	2012 £	2011 £
Current tax		
UK corporation tax at 20% (2011: 20.5%) based on the profit/(loss) for the year (note 6b)	75,385	29,474
Underprovision in prior year	929	582
Total current tax credit	76,314	30,056
Deferred tax	-	-
Tax credit	76,314	30,056

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

	2012 £	2011 £
Profit/(loss) on ordinary activities before tax	31,671	(267,289)
Tax on profit/(loss) on ordinary activities at standard rate	6,334	(56,120)
Being the effects of:		
Permanent differences	26	1,359
Accelerated capital allowances	(5,314)	(7,291)
Current year result (used)/carried forward	(75,693)	42,710
Loss surrendered to HM Revenue & Customs in exchange for R&D tax relief	74,647	19,342
Tax credit receivable from HM Revenue & Customs	(76,314)	(30,056)
Actual tax credit for the year (note 6a)	(76,314)	(30,056)

Notes to the financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2012

7. Earnings per share

	2012 £	2011 £
Profit/(loss) for the year	107,985	(237,183)
Weighted average number of ordinary shares in issue	76,267,932	65,418,617
	Pence	Pence
Basic and diluted profit/(loss) per share	0.14	(0.36)

IAS 33 requires presentation of diluted earnings per share ('EPS') when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Earnings or loss per share would not be affected by the exercise of out-of-the-money options since it is inappropriate to assume that option holders would act irrationally. Accordingly, as there are no other diluting future share issues, diluted EPS equals basic EPS.

8. Property, plant and equipment

Group	Computer equipment £	Demonstration equipment £	Plant and equipment £	Total £
Cost				
At 1 October 2010	79,617	161,809	92,546	333,972
Additions	12,383	10,600	12,749	35,732
Disposals	(34,602)	(24,771)	(3,954)	(63,327)
At 30 September 2011	57,398	147,638	101,341	306,377
Additions	11,239	13,309	4,574	29,122
Disposals	(1,899)	(71,594)	(12,285)	(85,778)
At 30 September 2012	66,738	89,353	93,630	249,721
Depreciation				
At 1 October 2010	64,663	150,955	68,868	284,486
Provided during the year	11,449	11,113	17,053	39,615
Disposals	(33,363)	(24,771)	(3,138)	(61,272)
At 30 September 2011	42,749	137,297	82,783	262,829
Provided during the year	9,234	6,716	17,486	33,436
Disposals	(1,899)	(71,594)	(12,285)	(85,778)
At 30 September 2012	50,084	72,419	87,984	210,487
Net book value				
At 30 September 2012	16,654	16,934	5,646	39,234
At 30 September 2011	14,649	10,341	18,558	43,548

9. Intangible fixed assets

	Total £
Cost	
At 30 September 2010, 2011 and 2012	–
Amortisation	
At 30 September 2010, 2011 and 2012	–
Net book value	
At 30 September 2010, 2011 and 2012	–

10. Investments**Subsidiary undertakings – Company**

	£
Cost and net book value	
At 1 October 2011	1
Impairment and provision during year	–
At 30 September 2012	1

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

Company	Principal activities	Country of incorporation and operations	Ordinary share capital %	Investment shares at cost	
				2012 £	2011 £
Stereo Scan Systems Ltd	Development of advanced imaging technology	England	100	51,000	51,000
3DX-Ray Ltd	Exploitation of advanced imaging technology	England	100	1	1

11. Inventories

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Raw materials	220,989	138,309	–	–
Work in progress	107,444	69,748	–	–
Finished goods	84,517	107,393	–	–
	412,950	315,450	–	–

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

12. Trade and other receivables

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade receivables	745,800	370,075	–	–
Other receivables and prepayments	251,453	174,287	–	2,675
VAT recoverable	124,237	22,270	2,116	2,044
Amounts due from subsidiary undertakings	–	–	986,960	–
	1,121,490	566,632	989,076	4,719

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

13. Cash and cash equivalents

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Cash and cash equivalents	73,782	945,201	6,058	922,168

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.

Notes to the financial statements continued

FOR THE YEAR ENDED 30 SEPTEMBER 2012

14. Trade and other payables

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Amounts falling due within one year				
Trade payables	503,893	156,517	396	1,893
Deferred income	119,703	698,583	–	–
Other tax and social security	27,245	46,499	–	–
Accruals	49,121	97,781	18,000	17,550
	699,962	999,380	18,396	19,443

At 30 September 2012 accruals included pension contributions amounting to £3,409 (2011: £3,921).

15. Provisions for liabilities and charges

	2012 Group £	2011 Group £
Deferred tax		
At 1 October 2011 and 30 September 2012	–	–

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

	Provided 2012 £	Not provided 2012 £	Provided 2011 £	Not provided 2011 £
Group				
Accelerated capital allowances	–	(42,398)	–	(50,098)
Losses	–	(1,302,802)	–	(1,237,641)
	–	(1,345,200)	–	(1,287,739)

The deferred tax asset is recoverable against profits generated in the Group in the future. No allowance has been made for the deferred tax asset as recoverability in the near future is uncertain. The Company's tax losses not provided amount to £180 (2011: £63,456).

£

Warranty provision

At 1 October 2011	29,449
Charge for the year	16,691
At 30 September 2012	46,140

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

16. Commitments

At 30 September 2012 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2012 £	2011 £
Land and buildings		
Within one year	36,000	36,000
Between one and three years	72,000	–
	108,000	36,000

17. Share capital

	2012 £	2011 £
Authorised		
100,000,000 ordinary shares of 1p each	1,000,000	1,000,000
Called up, allotted and fully paid		
76,267,932 ordinary shares of 1p each	762,679	762,679

Of the options in place as at 30 September 2011, the following options are still outstanding:

Image Scan share option scheme	Date of issue	Quantity	Exercise price	Vesting period	Expiry date
Enterprise Management Incentive	14/03/2003	15,000	51.50p	3 years	14/03/2013
Enterprise Management Incentive	30/09/2005	212,000	15.00p	3 years	30/09/2015
Enterprise Management Incentive	02/10/2006	270,000	18.25p	3 years	02/10/2016
Enterprise Management Incentive	23/11/2007	20,000	10.00p	3 years	23/11/2017
Unapproved Scheme	28/01/2008	250,000	10.00p	3 years	30/11/2017
Enterprise Management Incentive	28/01/2008	1,500,000	15.00p	Over 5 years ¹	30/11/2017
Enterprise Management Incentive	01/03/2010	905,000	4.00p	3 years	01/03/2020
Unapproved Scheme	01/03/2010	580,000	4.00p	3 years	01/03/2020

¹ The vesting period follows a 1:2:3:2:1 profile between one and five years from the date of grant.

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

	2012	2011
Expected volatility (based on closing prices in the year prior to issue)	50%	50%
Expected life	3.5 years	3.5 years
Risk-free rate	4.3%	4.3%
Expected dividends	nil	nil

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

	2012 £	2011 £
Employee benefits (note 5)	(2,722)	4,633

18. Transactions with related parties

During the year Image Scan Holdings plc provided management services to the value of £418,000 to subsidiary company 3DX-Ray Limited (2011: £120,000).

At the year end the Company was owed the following amounts by subsidiary companies against which a bad debt provision of £7,239,436 (2011: £7,007,471) is held:

	2012 £	2011 £
3DX-Ray Ltd	7,339,179	6,120,254
Stereo Scan Systems Ltd	887,217	887,217

The bad debt charged against 3DX-RAY Ltd's debtor balance during the period is £231,965 (2011: £202,770).

19. Financial instruments

The disclosures required in relation to the nature of any financial instruments used during the year to mitigate interest rate, liquidity and foreign currency risks are shown in the Directors' report under the heading 'Financial Instruments'. Short-term trade and other receivables and trade and other payables are excluded from all disclosures other than the currency profile. There are no non-equity shares.

The Group had undrawn committed borrowing facilities at 30 September 2012 of £100,000 (2011: £100,000).

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

Fair values of gross financial assets (cash and short-term investments) are considered to be the same as book values at both 30 September 2012 and 30 September 2011.

Currency profile

At 30 September 2012 amounts payable included US\$7,302, EUR 3,599, Swiss Francs 121,145 and South African Rand 6,080 (2011: US\$14,969, EUR 33,314, South African Rand 7,133). All other financial assets and liabilities are denominated in Sterling.

At 30 September 2012 amounts receivable included US\$6,615 (2011: US\$nil).

Capital management

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

Notice and agenda of annual general meeting

Notice is hereby given that the Annual General Meeting of the shareholders will be held at 11.00am on 27 February 2013 at the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN for the purpose of considering and, if thought fit, passing the following resolutions as to resolutions 1-6 as Ordinary Resolutions and as to resolution 7 as a Special Resolution.

Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 30 September 2012 together with the reports of the Directors and auditors thereon.
2. To re-elect as a Director B S Emslie who retires by rotation and offer himself for re-election.
3. To re-elect as a Director I S S Johnson who retires by rotation and offer himself for re-election.
4. To receive and adopt the remuneration report contained within the annual report for the year ended 30 September 2012.
5. To re-appoint Wilkins Kennedy LLP as auditors and to authorise the Directors to fix their remuneration.
6. That in accordance with section 551 of the Companies Act 2006 (the 'Act') the directors be hereby generally and unconditionally authorised to allot new ordinary shares or grant rights to subscribe for or to convert any securities into new ordinary shares ('Rights') up to an aggregate nominal amount of £76,267 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company or 15 months after the passing of this resolution (whichever is earlier) save that the directors may, before the expiry of such period, make an offer or agreement which would or might require new ordinary shares to be allotted or Rights to be granted after the expiry of such period, and the directors of the Company may allot new ordinary shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolution

7. That subject to, and conditional upon, the passing of resolution 6 above, the directors be and are generally empowered (in substitution for all subsisting authorities to the extent unused) in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred upon them by resolution 5 for cash as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - 7.1 in connection with an offer of such securities by way of a Rights Issue; and
 - 7.2 otherwise than pursuant to resolution 7.1 above, up to an aggregate nominal amount of £76,267.

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

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

By order of the board



Louise J George
Company Secretary
10 December 2012

Registered Office:
16-18 Hayhill
Sibley Road
Barrow-upon-Soar
Leicestershire LE12 8LD

Notes

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company.
2. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
3. A form of proxy is available on the Company's website, www.ish.co.uk, or by request from the Company Secretary and to be valid must be completed and returned so as to reach the Registrar of the Company, Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen B6 3DA, together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power (written authority), not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
4. 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 11.00am on 25 February 2013 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.
5. Copies of the Directors' service contracts will be available for inspection at the Registered Office of the Company during normal business hours

Officers and professional advisers

Brian Simpson Emslie BMet (Hons) **Non-executive Chairman**

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

Louise Joan George BSc, FCA, ACIS **Chief Executive Officer**

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

Nick Darryl Fox BSc, MSc, CEng, MIEE **Chief Technical Officer**

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

Ian Stuart Southwell Johnson FSyl **Non-executive Director**

Ian Johnson is a highly respected security adviser and Managing Director of Ian Johnson Associates Ltd, a leading security and risk management consultancy company. He has held appointments to many FTSE companies and to government authorities both in the UK and internationally. A founding director and fellow of The Security Institute, his current advisory roles include the All Party Parliamentary Private Security Industry Group, British Security Industry Association, Arts Council England and United Kingdom Accreditation Service ("UKAS"). He is also a longstanding member of the American Society for International Security. Ian is a member of the Audit, Remuneration and Nominations Committees.

Vincent James Deery (Appointed 1 January 2013) **Sales and Marketing Director**

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

Directors

Brian S Emslie
Non-executive Chairman

Louise J George BSc, FCA, ACIS
Chief Executive Officer

Nicholas D Fox MSc
Chief Technical Officer

Ian S S Johnson
Non-executive Director

Company Secretary
Louise J George BSc, FCA, ACIS

Registered office
16-18 Hayhill
Sibley Road
Barrow-upon-Soar
Leicestershire LE12 8LD

Company number
03062983

**Nominated adviser
and stockbroker**
Seymour Pierce
20 Old Bailey
London EC4M 7EN

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

Solicitors
Browne Jacobson
44 Castle Gate
Nottingham NG1 7BJ

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

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



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