IMAGE SCAN HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
30 September 2017

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HIGHLIGHTS

2017 was a year of continued product innovation and strong sales growth in export markets

OPERATIONAL HIGHLIGHTS

- Portable X-ray systems sold extensively in Asia, the Middle East and Europe
- Growing sales to customers in the Indian subcontinent
- Compact portable X-ray detector developed and launched
- Continuing sales of industrial inspection systems

FINANCIAL HIGHLIGHTS

- Total order intake for the year increased 25% to £5.4m (2016: £4.3m)
- Sales increased 50% to £5.0m (2016: £3.3m) at a gross margin of 38% (2016: 42%)
- Pre-tax trading profit increased 350% to £477k (2016: £105k)
- Closing order book of £2.1m (2016: £1.7m) and cash of £1.3m (2016 £1.1m)

CHAIRMAN'S STATEMENT

William Mawer, Chairman

> The Group's product strategy for the portable X-ray market has been to develop a modular and flexible systems that allows precise targeting of the performance requirements and budget availability of particular regional markets and customer groups. That strategy has led to significant breakthroughs.

Overview

I am pleased to report on the results for Image Scan Holdings plc for the year ended 30 September 2017. The year saw substantial increases in both orders and sales and, with overheads under tight control, pre-tax profits grew strongly.

Order intake during 2017 totalled £5.4m (2016: £4.3m) and featured strong demand for portable X-ray systems. Revenue for the year was £5.0m (2016: £3.3m) and the business generated a pre-tax profit of £477k (2016: £105k). The Group closed the year with a record orderbook of £2.1m (2016: £1.7m) and a positive cash balance of £1.3m (2016: £1.1m).

In April, the Company successfully raised £525k through a placing of 9,500,000 new ordinary shares at a price of 5.25 pence per share with new and existing institutional investors and a subscription of 500,000 new shares by William Mawer, Chairman and Chief Executive Officer, at the same price.

The Group's product strategy for the portable X-ray market has been to develop a modular and flexible systems that allows precise targeting of the performance requirements and budget availability in particular regional markets and for individual customer groups. That strategy has led to significant breakthroughs in markets in the Indian subcontinent with several new customers purchasing systems during the year, particularly the 'entry level' ThreatScan®-Lite system. Sales also grew in South East Asia and Europe.

Industrial X-ray systems, were delivered to manufacturing plants in the UK, Eastern Europe and South America and an important customer started to deploy the system into its global manufacturing centres after extensive trials at its European base.

An accelerated product development project led to the launch of the ThreatScan®-LS3, a new compact detector panel for use in portable X-ray systems. This system makes the technology of the ThreatScan®-LS1 available in the more compact package required by certain customer groups, notably the more mobile threat investigation teams. First customer deliveries were made in 2017. The decision to prioritise the LS3 development was driven by market demand and resulted in a delay in the launch of the Precision Linescan Detector ("PLD"). A second prototype of the PLD has now been built. The unit is currently being tested and was exhibited for the first time at the Milipol security show in Paris in November.

Our Strategy

The short-term focus is to continue the momentum developed in the portable X-ray area, driving further innovations into the product range and attacking new territories. We plan to strengthen both the research and development and sales and marketing teams to support this activity. We will continue to drive for wider deployment of our industrial inspection systems with both current and new customers. In both security and industrial inspection we will seek to diversify our customer base and reduce our dependence on individual customers.

Looking to the longer term, we will actively seek to add products and revenue streams to drive further growth in the business. We are exploring opportunities for acquisition, licensing and internal development to achieve this. As we look for potential acquisitions we are focussed on those opportunities that offer strong technology synergies (e.g. X-ray companies) and/or strong market synergies (e.g. companies with technology that can be supplied to our bomb technician customers). For internal developments we are evaluating opportunities to apply our strong Linescan X-ray technology to larger, higher value systems. The Group expects to apply a higher level of effort to these forms of strategic growth in the coming year.

Outlook

The Group starts 2018 with a robust orderbook, although we need to finalise the extended delivery dates on a proportion of those orders. The Group has an encouraging sales pipeline and a product range that allows a wide range of customers and markets to be addressed. Further portable X-ray product launches are planned during the year and these should allow the company to continue to extend its customer base. The security equipment market continues to be very active, reflecting the continuing high level of the terrorist threat, as portable X-ray systems are important tools for early detection/identification of a threat and often one of the first security technologies to be deployed after a threat is detected. We expect continuing healthy demand for these products.

We expect tighter legislation around vehicle emissions, particularly of diesel engines, to drive a continued focus on manufacturing quality in catalytic converters and diesel particulate filters. As a major supplier of automated X-ray inspection systems to this industry we expect these trends to continue to drive demand for our MDXi range of systems.

While the Group does receive valuable service and support revenue, this is its only recurring revenue. The Group has seen a growth in the number of support contracts in the year. The Group is very focussed on maintaining the strong order intake of the last 18 months in order to continue the momentum recently established. We are considering adding additional resource to the sales team to support this effort.

The outlook for the Group remains positive in all its major markets with the key short-term focus being to drive sales and diversify our sources of revenue. Opportunities for further strategic expansion continue to be explored.

Over the next few years we intend to reinvest any profit made into the business and do not anticipate paying a dividend.

Staff

The Board values greatly the considerable efforts made by our staff and, on behalf of the Directors, I would like to take this opportunity to personally thank staff and shareholders for their continued commitment to Image Scan.

William Mawer

Chairman

5 December 2017

TARGETTING REGIONAL MARKETS

Indian subcontinent

In these markets the Group had strong distribution partners but customers were looking for a lower cost system then the recently launched ThreatScan®-LS1. The entry level ThreatScan®-Lite system offered a substantial performance advantage against the competing products at a very competitive price and led to a number of valuable new contracts.

Europe

Having previously supplied European customers through a partnership that ended in 2014, the Group had no route to this market. An experienced security X-ray sales person was recruited and a targeted campaign to build a European presence began. Orders for the ThreatScan®-LS1 system and, more recently the ThreatScan®-LS3 system, have been won from four new customers.

STRATEGIC REPORT

William Mawer, CEO

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. Following a round of fundraising in late 2014, research and development spend in this area was increased in support of a product strategy developed by the incoming Chairman and CEO, Bill Mawer. These new products started to sell in more substantial quantities in 2016 and that momentum has continued into 2017. The Group also manufactures the Axis range of 2D and 3D checkpoint X-ray machines and the SVXi vehicle scanner. All these products are taken to market through a network of international partners managed by Vincent Deery, Sales and Marketing Director, and his two full time staff. They select, manage and support these partners, often meeting them in-territory for customer demonstrations and events.

For over ten years, the Image Scan Group has developed and manufactured industrial X-ray inspection systems. 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. Emissions control, particularly of diesel cars and trucks, is an area of market growth driven by tighter emissions legislation, particularly in China where the “China 6” emissions control standard for Light Duty vehicles was recently adopted. 2017 has seen continuing sales of these systems.

Business Review

The number of portable X-ray systems sold increased by 65% in comparison to the prior year, much of the growth coming from markets in South East Asia and the Indian subcontinent. The year-end orderbook included over 80 portable systems, scheduled for delivery during FY2018. The majority of units sold were ThreatScan®-LS1 system following a major sales campaign during the prior year

That sales campaign has continued with units shown at major security equipment exhibitions and demonstrated at customer sites. However, several multi unit orders were received for the entry level ThreatScan®-Lite system. The launch of the compact ThreatScan®-LS3 system makes the technology and advanced image performance of the LS1 system available to users requiring a small imaging panel. It is now possible to provide a complete portable X-ray system in a backpack for users needing this flexibility.

Conveyor X-ray systems were sold to customers in the Middle East and a small number of MailScan systems from our UK manufacturing partner were sold to international customers.

The decision to prioritise the LS3 development was driven by market demand and resulted in a delay in the launch of the Precision Linescan Detector (“PLD”). This system has been developed with support of a grant from Innovate UK, the UK Government’s innovation funding body. A second prototype of the PLD has been built, and is being tested. The system was exhibited for the first time at the Milipol security show in Paris in November.

Industrial inspection systems, used for quality control in the manufacture of catalytic converters and diesel particulate filters in the automotive industry, were manufactured during the period and delivered to plants in UK, Eastern Europe and South America. We are working with our customers in this industry to explore and develop even more sophisticated testing regimes.

Financial Results

The Group started the year with an order book of £1.7m (2016: £0.7m), won new orders worth £5.4m (2016: £4.3m) and made sales of £5.0m (2016: £3.3m), finishing the year with an order book of £2.1m (2016: £1.7m).

Gross margin on sales remained strong at 38% (2016: 42%). The small decrease reflected a change in product mix and selective use of aggressive pricing to break into new markets. Overheads increased to £1.5m (2016:

£1.4m) and included substantial budgeted expenditure on both research and development and sales and marketing. This represented a relative decrease to 30% of sales (2016: 42% of sales).

Profit before tax increased to almost 10% of sales at £477k (2016: £105k).

The business finished the year with a positive cash balance of £1.3m (2016: £1.1m)

Operational Improvements

In response to both the growing volume of sales and our desire to continue to improve on-time delivery and quality performance, we continued a strong drive for operational improvement in the Group and its processes. Manufacturing volume varied widely through the year and tight control of the manufacturing process allowed us to recruit and train temporary staff at peak periods with no loss of quality. The factory was re-laid out in the year, providing a 30% increase in capacity. There is further room for growth if required.

The support of the supply chain has also been important, and we now have a number of key suppliers working under framework contracts that allow us to call forward components as we need them rather than having to hold expensive stock in Image Scan or accept long lead times.

In 2018, the Group is introducing an updated system of Key Performance Indicators which extend through the business and provide up to date metrics on all aspects of performance against our goals and targets. All customer service, engineering change and quality issues are now managed through a single database, accessible to all staff which will allow detailed KPIs monitoring. Our quality system and processes are being updated to meet the revised standards required by the 2015 issue of ISO9001.

During the year under review, the Board regularly reviewed the Financial Key Performance Indicators which it considered appropriate for a business of the size and stage of development. In 2017, the Key Performance Indicators targets set by the Board were exceeded. The Key Performance Indicators maintained during the year with analysis of trend against prior year are set out below. The development in the KPIs are in line with the other development of the business summarised in the Business Review and financial results.

Key performance indicators

	2017	2016	2015	2014
Order intake	£5.4m	£4.3m	£1.9m	£1.5m
Turnover	£5.0m	£3.3m	£1.7m	£2.2m
Gross margin	38%	42%	38%	31%
Number of staff	18	19	18	17

STRATEGIC REPORT CONTINUED

Principal Risks And Uncertainties

The Directors regularly review the risks facing the Group via the Risk Register and seek to exploit, avoid or mitigate those risks as appropriate. The Directors consider that the main business risks and uncertainties of the Group are:

- the concentration of a significant part of business with a few key customer accounts.
- ensuring sufficient working capital to support both ongoing production and product development
- ensuring that product and service quality is maintained as volume and the diversity of the product range increases

A number of actions have been undertaken in 2017 as noted below and further plans are in place for 2018 to mitigate the risk in the above key risks identified.

- Customer concentration risk is being addressed by continued investment in research and development to broaden product base to widen offering; management of relationship with key customers by the Board; and development of geographic/ customer base across the portfolio of products.
- Working capital is carefully monitored through detailed cash flow forecasts which are monitored by the executive board on a regular basis and by the wider Board on a monthly basis during Board meetings.
- Review of processes including the engagement of an external consultant to advice management is focused on improvements to the quality system.

Brexit.

So far the only noticeable impact of the UK vote to leave the EU on the Group has come from the resultant fall in the pound. This has increased the price of our X-ray generators, bought in US dollars, while decreasing the apparent price of our systems to our export customers. The overall exchange difference in the year was £32,320 (2016: £6,424). At this stage, it is impossible to anticipate the impact of the UK's eventual departure, though imports from EU countries represent a relatively small part of our supply chain and exports to EU countries represent a relatively small part of our sales.

Financial Instruments

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.

Currency risk

The Group does not have a policy of using hedging contracts. The Group is exposed to exchange rate fluctuations on purchases and sales in foreign currency. At the current stage in development, fluctuations in purchase price are managed by setting sales prices. The Board will keep this policy under review.

Credit risk

The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the Group's policy is to use banks with a high credit rating assigned by an international credit rating agency. With respect to trade debtors, payment terms typically require a substantial deposit on placement of the order and a majority of the invoice paid prior to shipment.

Liquidity risk

The Group's policy is to manage liquidity risk by ensuring sufficient cash balances are in place to meet its commitments and to monitor risk on an ongoing basis by undertaking cash flow forecasting procedures. The Group has positive cash balances and has therefore been able to meet its working capital requirements throughout the year under review.

Approved and signed by order of the Board

William Mawer
Chief Executive Officer
5 December 2017

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2017.

Directors

The Directors who served during the year were as follows: W R Mawer, V J Deery, R A Leaver, T D Jackson

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 136,004,577 and the following substantial shareholdings have been notified to the Company:

	%	Ordinary shares of 1 pence each
Rise Step International Development Ltd	22.70	30,873,331
D Allenby	11.64	15,828,805
Old Mutual plc	5.87	7,983,925
Reyker Securities plc	3.90	5,308,974
Spreadex Ltd	3.11	4,234,500
Directors shareholdings		
W R Mawer	3.83	5,204,682
R A Leaver	0.37	500,000
V J Deery	0.06	83,077

Dividends

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

Research And Development

Research and development was mainly focused on developing the portable X-ray inspection system as set out in the Strategic Report. Costs in the year amounted to £291,593 (2016: £317,841).

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'

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

Directors' Statement Of Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under company law, the Directors must not approve the financial statements

DIRECTORS' REPORT CONTINUED

unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ('AIM').

In preparing these financial statements, the Directors are required to:

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

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

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 regularly review the performance of the Group 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. 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, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board

William Mawer

Chief Executive Officer

5 December 2017

STATEMENT OF CORPORATE GOVERNANCE

The Company is quoted on AIM and is therefore not required to comply with the provisions of the UK Corporate Governance 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 2017, 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 the same individual as this suits the Company's strategic plans.

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 current Audit Committee comprises Tim Jackson, who has recent and relevant financial experience, Richard Leaver and Bill Mawer. The chairmanship of this committee is under Tim Jackson. The Audit Committee met four times during the year.

The Remuneration Committee comprises Richard Leaver, Tim Jackson and Bill Mawer. The chairmanship of this committee is under Richard Leaver. The Remuneration Committee met four times 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 12-13.

The Nominations Committee comprises Bill Mawer, Richard Leaver and Tim Jackson. The chairmanship of this committee is under Bill Mawer. The Nominations Committee met once during the year.

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 2017. 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 2017	Total emoluments 2016
	£	£	£	£	£	£	£
Executive							
V J Deery	91,242	-	766	21,345	8,347	**121,700**	106,092
W R Mawer	100,948	-	10,210	13,841	-	**124,999**	102,831
Non-executive							
R A Leaver	-	15,000	-	-	-	**15,000**	15,000
T D Jackson	-	15,000	-	-	-	**15,000**	15,000
Total 2017	**192,190**	**30,000**	**10,976**	**35,186**	**8,347**	**276,699**	**238,923**
Total 2016	177,900	30,000	7,813	15,000	8,210	238,923	

This table excludes any share-based payments.

WR Mawer's salary includes a 10% contribution to pension.

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.

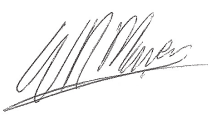
The following existing options have been granted:

Holder	Image Scan share option scheme	Number	Exercise price	Date of grant	Vesting period	Expire
V J Deery	EMI	300,000	4.0p	01/03/2010	3 years	01/03/2020
V J Deery	EMI	1,000,000	2.0p	17/09/2014	3 years	17/09/2024
W R Mawer	Unapproved Scheme	1,500,000	3.375p	11/04/2014	3 years	11/04/2024
W R Mawer	EMI	1,000,000	2.0p	17/09/2014	3 years	17/09/2024
R A Leaver	Unapproved Scheme	400,000	3.375p	11/04/2014	3 years	11/04/2024
T D Jackson	Unapproved Scheme	400,000	2.5p	22/09/2014	3 years	22/09/2024
W R Mawer	EMI	1,000,000	2.25p	22/12/2015	3 years	22/12/2025
V J Deery	EMI	1,000,000	2.25p	22/12/2015	3 years	22/12/2025
R A Leaver	Unapproved Scheme	200,000	2.25p	22/12/2015	3 years	22/12/2025
T D Jackson	Unapproved Scheme	200,000	2.25p	22/12/2015	3 years	22/12/2025
V J Deery	EMI	440,000	6.25p	04/07/2017	3 years	04/07/2027
W R Mawer	EMI	440,000	6.25p	04/07/2017	3 years	04/07/2027
R A Leaver	Unapproved Scheme	50,000	6.25p	04/07/2017	3 years	04/07/2027
T D Jackson	Unapproved Scheme	50,000	6.25p	04/07/2017	3 years	04/07/2027

Share price performance

The highest and lowest share prices during the year were 9.12 pence and 4.50 pence per share respectively. The closing mid-market price was 8.38 pence per share.

On behalf of the Board



William Mawer
Chairman
5 December 2017

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

Opinion

We have audited the financial statements of Image Scan Holdings Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2017 which comprise the consolidated statement of comprehensive income, the consolidated and the parent company statements of financial position, the consolidated and the parent company statements of changes in equity, the consolidated and the parent company cash flow statements and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Risk of misstatement in revenue recognition

Refer to the Accounting Policies page 26 and note 3 page 29. Total Group turnover is £5,034k (2016: £3,315k). The Group's significant revenue stream is the sale of portable X-ray systems. We consider the Group's revenue recognition as key audit matter due to the judgments involved when interpreting the terms of sales contracts for bill and hold sales arrangements and therefore there is a significant risk of misstatements in respect of year-end cut off and the existence of revenue.

Our response to the risk

We have verified the existence of revenue by testing 85% (on a value basis) of the projects recorded in the nominal ledger in the year. Year end cut off was confirmed via review of project revenue to check that it was captured in the correct period and further testing was carried out over deferred income to agree the cut off at the year end. We have corroborated entries to supporting contracts, invoices and payments with/from customers. We selected projects based on criteria that we determined were more likely to give rise to misstatement. The criteria applied included factors such as size of project, the commencement date of the project, projects ongoing at the year end and other items which appeared unusual based on our understanding of the population. For all projects selected we confirmed that stage payments received for incomplete orders had been appropriately deferred and agreed this to the breakdown of deferred income at the year end.

The Groups accounting policy for recognising Ex-Works sales is set out in note 2. We appraised the Group's policy in light of International Accounting Standard 18 "Revenue" ("IAS 18"). We attended the Group's premises at the year end date and observed all items that had passed factory acceptance testing at that date. We physically verified that the items existed and were in good condition and boxed for despatch and the relevant documentation in place at this date. For 100% of these items we have reviewed the customer contracts and other correspondence and assessed if revenue should have been recognised on these projects in accordance with the bill and hold arrangements of IAS 18. Where revenue had not been invoiced at the year-end in relation to these projects we agreed the amounts had been correctly accrued in accrued income on contracts.

We are satisfied that revenue has been recognised in accordance with the Group's accounting policy and relevant accounting standards.

Our application of materiality

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

Materiality

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

We determined materiality for the Group to be £50,000 (2016 - £33,000), which was based, in both years, on 1% of turnover which is considered an appropriate benchmark in light of the stage of development of the business. The increase of materiality this year is a reflection growth in the business.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2,500, which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

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

An overview of the scope of our audit

The Group manages its operations from a single location in the UK and consists of the group holding company, one trading subsidiary and one dormant subsidiary.

The Group engagement team carried out statutory audits for all companies in the Group. The team included tax and valuation specialists to review tax R&D calculations and share based payment calculations respectively.

Our audit work on each component was executed at levels of materiality applicable to the individual entity which was lower than Group materiality. Financial statement materiality applied to the relevant components of the Group was as follows:

Image Scan Holdings Plc – entity (holding company) £47,500 (2016: £23,000)

3DX-Ray Limited (trading subsidiary) £47,500 (2016: £31,500)

Image Scan Limited – (dormant subsidiary) £27,000 (2016: £27,000)

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

Gareth Singleton

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Nottingham
United Kingdom
5 December 2017

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 2017

	Note	2017 £	2016 £
Continuing operations			
REVENUE	3	**5,033,636**	3,314,806
Cost of sales		**(3,104,007)**	(1,911,046)
Gross profit		**1,929,629**	1,403,760
Other operating income	4	**57,166**	77,790
Operating expenses		**(1,218,111)**	(1,058,927)
Research and development expenses		**(291,593)**	(317,841)
Total administrative expenses		**(1,509,704)**	(1,376,768)
OPERATING PROFIT/(LOSS)	5	**477,091**	104,782
Finance income		**286**	671
PROFIT/(LOSS) BEFORE TAXATION		**477,377**	105,453
Taxation	7	**102,811**	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY OWNERS OF THE PARENT COMPANY		**580,188**	105,453
		Pence	Pence
Earnings/(loss) per share	8		
Basic		**0.45**	0.08
Diluted		**0.43**	0.08

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

	Note	2017	2016
		£	£
NON-CURRENT ASSETS			
Property, plant and equipment	9	**26,842**	16,796
		26,842	16,796
CURRENT ASSETS			
Inventories	11	**1,094,879**	504,584
Trade and other receivables	12	**1,660,489**	842,376
Cash and cash equivalents	13	**1,253,114**	1,054,588
		4,008,482	2,401,548
TOTAL ASSETS		**4,035,324**	2,418,344
CURRENT LIABILITIES			
Trade and other payables	14	**2,166,248**	1,627,061
Warranty provision	15	**47,977**	51,232
		2,214,225	1,678,293
NET ASSETS		**1,821,099**	740,051
EQUITY			
Share capital	17	**1,357,046**	1,256,046
Share premium account		**8,317,410**	7,934,528
Retained earnings		**(7,853,357)**	(8,450,523)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		**1,821,099**	740,051

These financial statements were approved by the Board of Directors on 5 December 2017.

Signed on behalf of the Board of Directors

William Mawer
Chief Executive Officer

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

COMPANY STATEMENT OF FINANCIAL POSITION

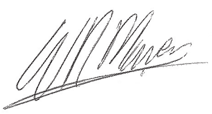
AS AT 30 SEPTEMBER 2017

	Note	2017	2016
		£	£
NON-CURRENT ASSETS			
Investments in Group undertakings	**10**	**16,979**	1
CURRENT ASSETS			
Trade and other receivables	**12**	**1,833,718**	767,062
Cash and cash equivalents	**13**	**14,214**	1,032
		1,847,932	768,094
TOTAL ASSETS		**1,864,911**	768,095
CURRENT LIABILITIES			
Trade and other payables	**14**	**43,812**	28,044
NET ASSETS		**1,821,099**	740,051
EQUITY			
Share capital	**17**	**1,357,046**	1,256,046
Share premium account		**8,317,410**	7,934,528
Retained earnings		**(7,853,357)**	(8,450,523)
TOTAL EQUITY		**1,821,099**	740,051

As permitted by the Companies Act 2006, a separate income statement for the Company has not been included. The profit for the financial year dealt with in the financial statements of the Company was £580,188 (2016: profit of £105,453).

These financial statements were approved by the Board of Directors on 5 December 2017.

Signed on behalf of the Board of Directors



William Mawer
Chief Executive Officer

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2017

CONSOLIDATED	Share capital £	Share premium £	Retained earnings £	Total £
As at 1 October 2015	1,256,046	7,934,528	(8,573,938)	616,636
Profit for the year and total comprehensive income/(expenditure) for the year	-	-	105,453	105,453
Share-based transactions	-	-	17,962	17,962
As at 30 September 2016	1,256,046	7,934,528	(8,450,523)	740,051
Shares issued during the year	101,000	426,000	-	527,000
Share issue Costs	-	(43,118)		(43,118)
Profit for the year and total comprehensive income/(expenditure) for the year	-	-	580,188	580,188
Share-based transactions	-	-	16,978	16,978
As at 30 September 2017	**1,357,046**	**8,317,410**	**(7,853,357)**	**1,821,099**

COMPANY	Share capital £	Share premium £	Retained earnings £	Total £
As at 1 October 2015	1,256,046	7,934,528	(8,573,938)	616,636
Profit for the year and total comprehensive income/(expenditure) for the year	-	-	105,453	105,453
Share-based transactions	-	-	17,962	17,962
As at 30 September 2016	1,256,046	7,934,528	(8,450,523)	740,051
Shares issued during the year	101,000	426,000	-	527,000
Share issue Costs	-	(43,118)	-	(43,118)
Profit for the year and total comprehensive income/(expenditure) for the year	-	-	580,188	580,188
Share-based transactions	-	-	16,978	16,978
As at 30 September 2017	**1,357,046**	**8,317,410**	**(7,853,357)**	**1,821,099**

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

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2017

	Note	2017	2016
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before research and development expenditure		**768,684**	422,623
Research and development expenditure		**(291,593)**	(317,841)
Operating profit		**477,091**	104,782
Adjustments for:			
Depreciation		**12,975**	6,215
Impairment of inventories		**30,116**	13,335
(Increase)/decrease in inventories		**(620,411)**	52,582
Increase in trade and other receivables		**(715,301)**	(458,695)
Increase in trade and other payables		**539,186**	849,168
(Decrease)/increase in warranty provisions		**(3,255)**	18,052
Share-based payments		**16,978**	17,962
Cash generated (used in)/from operating activities		**(262,621)**	603,401
Corporation tax recovered		**-**	-
Net cash flows (used in)/generated from operating activities		**(262,621)**	603,401
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**286**	671
Purchase of property, plant and equipment	9	**(23,021)**	(18,942)
Net cash used in investing activities		**(22,735)**	(18,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**527,000**	-
Financial costs of fundraising		**(43,118)**	-
Net cash generated from financing activities		**483,882**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**198,526**	585,130
Cash and cash equivalents at beginning of year		**1,054,588**	469,458
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**1,253,114**	1,054,588

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

COMPANY CASH FLOW STATEMENT

YEAR ENDED 30 SEPTEMBER 2017

	Note	2017	2016
		£	£
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		**580,188**	105,453
Adjustments for:			
(Decrease)/increase in intercompany bad debt provision		**(587,563)**	118,040
(Decrease)/increase in trade and other receivables		**7,314**	(22,231)
Increase in trade and other payables		**15,768**	3,847
Share-based payments		**-**	17,962
Net cash generated from operating activities		**15,707**	223,071
CASH FLOWS FROM INVESTING ACTIVITIES			
Movements in intercompany balances		**(486,407)**	(225,041)
Net cash used in investment activities		**(486,407)**	(225,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**527,000**	-
Finance costs of fund raising		**(43,118)**	-
Net cash flow generated from financing activities		**483,882**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**13,182**	(1,970)
Cash and cash equivalents at beginning of year		**1,032**	3,002
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**14,214**	1,032

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. General Information

Image Scan Holdings plc is a public limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the Officers and Professional Advisers section. The nature of the Group's operations and its principal activities are set out in the Strategic Report 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 financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU. The financial statements have been prepared under the historical cost convention.

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.

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.

Going concern

The Directors regularly review the performance of the Group 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.

New accounting standards, amendments and interpretations

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Management anticipates that all of the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. An assessment of the extent of the impact has not yet been concluded. Certain other new standards, interpretations and amendments have been issued but are not expected to have a material impact on the Group's financial statements.

Significant Accounting Policies (Continued)

- IFRS 9 Financial Instruments

  IFRS 9 addresses the classification and measurement of financial assets and will replace IAS 39. The standard also introduces the credit loss impairment model and this could affect the financial liabilities as disclosed in note 19. The potential impact on the Group has yet to be considered by management. The standard is effective for accounting periods commencing on or after 1 January 2018, as adopted by the European Union. More detailed analysis is being carried out during this year which will be disclose in the financial statement for the year ended 30 September 2018 before its application in the year ended 30 September 2019.

- IFRS 15 Revenue from Contracts with Customers

  IFRS 15 sets out at clarify the principles of revenue recognition and also requires enhanced disclosures. Revenue contracts should be recognised in accordance with a single, principles based five-step plan. The Standard is effective for accounting periods beginning on or after 1 January 2018, as adopted by the European Union. More detailed analysis is being carried out during this year which will be disclose in the financial statement for the year ended 30 September 2018 before its application in the year ended 30 September 2019.

  The Board have reviewed the requirements of the standard and do not believe that there will be any material impact on the way revenue is realised.

- IFRS16 Leases

  IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will replace IAS 17 Leases. Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. The standard is effective for accounting periods beginning on or after 1 January 2019, as adopted by the European Union. The Board have reviewed the impact of this standard and believe that as a result of adopting this standard an asset for operating leases will be shown in the balance sheet based on the minimum future lease payments as disclosed in note 16. More detailed analysis is being carried out during this year which will be disclose in the financial statement for the year ended 30 September 2018 before its application in the year ended 30 September 2019.

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.

Leases

Leases where substantially all of the risks and rewards of ownership of the assets remain with the lessor are accounted for as operating leases and the expense is accounted for on a straight-line basis over the term of the lease.

Revenue recognition

Revenue recognition is determined as follows and excludes value-added taxes and is shown net of discounts allowed.

- Revenue on contract for product sales is recognised when the risks and rewards of ownership are transferred to the customer which may fall under the bill and hold arrangements under IAS 18. Under this arrangement, revenue is recognised when goods have passed relevant Factory Acceptance Tests and met specific terms of the contract as agreed on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Significant Accounting Policies (Continued)

- Revenue on contracts for support and maintenance are charged evenly over the period of the contract.
- Where stage payments for the sale of good are made, payments in advance are recognised as deferred income and then revenue is recognised at the point when all conditions of the contract are met.
- Where revenue had not been invoiced at the year-end in relation to goods sold the amounts are accrued in accrued income on contracts.

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.

Pension costs

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

Investments

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

Inventories

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

Development costs

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

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

Foreign currencies

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.

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-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.

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. Provisions against trade receivables are made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the assets' carrying amount and the present value of the estimated future cash flows.

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Significant Accounting Policies (Continued)

Accounting judgements and key sources of estimation uncertainty

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

Judgements

(a) Revenue recognition on bill and hold contracts.

The Group enters into sales with customers on a bill and hold arrangement and revenue is recognised in accordance with the accounting policy set out on page 27. In applying the accounting policy the board must determine is all the relevant criteria are met in accordance with IAS 18 and the Groups accounting policy in order to recognise revenue. This requires detailed review of the contractual terms and understanding of the arrangements in place with the specific customers.

(b) Recognition of deferred tax asset

The Group has significant brought forward trading losses that can be used against future profits. The board must exercise judgement in assessing if a deferred tax asset can be recognised to the extent that it is probable that they will be recovered against future taxable profits. A deferred tax asset has been recognised in the current year as a result of achieving profit over the last two years and a strong order book and future expectation of profit.

(c) Impairment of amounts recoverable from subsidiary company

The Company acts as a holding company for the trading subsidiary and provides funding in the way of intercompany loan, as disclosed in note 12. The Board must determine if the carrying value of the loan is recoverable based on factors such as the economic viability and expected financial performance of the subsidiary. The Board has used the net liability position of the subsidiary to inform the assessment and calculated the recoverable amount based on what would be recovered should all assets and liabilities be recovered at their carrying value.

Key Estimates

(a) Impairment of inventory

As disclosed in note 11, an impairment has been made against the carrying value of accessories and demonstration inventory. The nature of the inventory requires an assessment of the application of the accessory items in future sales, the condition of demonstration inventory when returned and residual value should the items not be saleable.

Due to the nature of the inventory, changes in the basis of the estimates for the condition of demonstration inventory or residual values applied would not have a material impact on the impairment provided.

Factors taken into account when assessing the application of accessories in future sales include future order books and current customer requirements and the history of use of the relevant accessories. Should there be changes in the nature of the market opportunities, such that all inventory that has been provided for could be utilised, then the inventory provision would reduce by over £100,000.

3. Revenue

The Group has only one business sector, being the continuing development of advanced X-ray imaging techniques.

All revenue is derived from operations in the United Kingdom and is analysed as follows:

	2017	2016
	£	£
Group revenue by destination		
UK	**498,758**	325,481
Europe, the Middle East and Africa	**744,529**	1,485,624
Asia	**3,627,471**	1,235,504
Americas	**162,878**	268,197
	5,033,636	3,314,806
Gross profit	**1,929,629**	1,403,760

During the year to 30 September 2017, sales of £2,680,621 were made to two customers (Customer A - £2,062,696 and Customer B - £617,925) accounting for 53% of total revenue (2016: sales of £1,582,335 were made to two customers (Customer A - £968,791 and Customer B - £613,544 accounting for 48% of total revenue).

4. Other Operating Income

	2017	2016
	£	£
R&D tax credit	**22,359**	12,328
Government grant income	**34,807**	65,462
	57,166	77,790

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

5. Operating Profit

	2017	2016
	£	£
Operating profit is stated after charging		
Depreciation of property, plant and equipment	**12,975**	6,215
Impairment of inventories	**30,116**	13,355
Operating leases	**39,310**	38,720
Auditors' remuneration		
Audit – Subsidiary	**14,063**	12,426
Audit – Company	**4,687**	4,074
Other services	**8,001**	5,227
Cost of inventories recognised as an expense (included in cost of sales)	**2,703,877**	1,541,746
Exchange rate loss	**32,320**	6,424

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. Information Regarding Directors And Employees

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Directors' emoluments				
Management remuneration	**238,352**	200,713	**238,352**	200,713
Fees as Directors	**30,000**	30,000	**30,000**	30,000
Pension contributions	**8,347**	8,210	**8,347**	8,210
Share-based payments (option scheme)	**16,978**	17,962	**16,978**	17,962
	293,677	256,885	**293,677**	256,885
	Number	Number	**Number**	Number
Number of Directors accruing benefits under:				
Defined contribution pension scheme	**1**	1	**1**	1
			£	£
The amounts paid in respect of the highest paid Director are as follows:				
Emoluments	**113,353**	97,882	**113,353**	97,882
Pension contributions	**8,347**	8,210	**8,347**	8,210
	121,700	106,092	**121,700**	106,092
	Number	Number	**Number**	Number
Average number of persons employed (including Directors)				
Accounts and administration	**2**	2	**-**	-
Technical	**12**	13	**-**	-
Directors	**4**	4	**4**	4
	18	19	**4**	4
			£	£
Wages and salaries	**974,853**	864,600	**258,142**	223,627
Social security costs	**109,737**	102,756	**-**	-
Pension costs	**32,316**	25,197	**8,347**	8,210
Share-based payments (option scheme)	**16,978**	17,962	**-**	17,962
	1,133,884	1,010,515	**266,489**	249,799

Directors' remuneration is detailed within the remuneration report set out on pages 12 to 13.

Related party transactions are disclosed in note 18.

7. Tax On Results On Ordinary Activities

a) Analysis of credit in the year	2017	2016
	£	£
Current tax		
UK corporation tax at 19.5% (2016: 20%) based on the result for the year (note 7b)	-	-
Recognition of previously unrecognised deferred tax asset (note 15)	102,811	
Total current tax credit	**102,811**	-

The deferred tax asset of £102,811 was recognised in the year as Directors considered that the Group will be able to utilise brought forward tax losses against future profits.

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	2017	2016
	£	£
Profit on ordinary activities before tax	**477,377**	105,453
Tax on profit on ordinary activities at 19.5% (2016:20%)	**93,089**	21,091
Being the effects of		
Disallowable Allowances	**212**	-
Accelerated capital allowances	**(3,834)**	(4,891)
Current year brought forward tax losses	**(45,818)**	-
Loss surrendered to HM Revenue & Customs in exchange for R&D tax relief	-	17,005
Enhanced R&D relief	**(45,793)**	(35,049)
Other timing differences	**2,144**	1,844
Recognition of previously unrecognised deferred tax asset	**102,811**	-
Actual tax credit for the year (note 7a)	**102,811**	-

During the year ended 30 September 2017, because of the reduction in the UK corporation tax rate from 20% to 19% from 1 April 2017, corporation tax has been calculated at 19.5% of estimated assessable profit for the year (2016: 20%).

8. Earnings Per Share

	2017	2016
	£	£
Profit for the year	**580,188**	105,453
Weighted average number of ordinary shares in issue	**129,512,227**	125,604,577
Basic profit/(loss) per share	**0.45p**	0.08p
Diluted profit per share	**0.43p**	0.08p

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are shares issued under the Company's Enterprise Management Incentive ('EMI') scheme and options issued under the Company's Unapproved scheme.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

9. Property, Plant And Equipment

Group	Computer equipment £	Demonstration equipment £	Plant and equipment £	Total £
Cost				
At 1 October 2015	71,107	76,044	96,425	243,576
Additions	14,625	-	4,677	18,942
At 30 September 2016	**85,372**	**76,044**	**101,102**	**262,518**
Additions	**21,852**	**-**	**1,169**	**23,021**
At 30 September 2017	**107,224**	**76,044**	**102,271**	**285,539**
Depreciation				
At 1 October 2015	67,349	76,044	96,114	239,507
Provided during the year	5,384	-	831	6,215
At 30 September 2016	**72,733**	**76,044**	**96,945**	**245,722**
Provided during the year	**11,027**	**-**	**1,948**	**12,975**
At 30 September 2017	**83,760**	**76,044**	**98,893**	**258,697**
Net book value				
At 30 September 2017	**23,464**	**-**	**3,378**	**26,842**
At 30 September 2016	12,639	-	4,157	16,796

10. Investments

Subsidiary undertakings – Company	2017 £	2016 £
Cost	51,001	51,001
Capital contribution to subsidiary undertakings	16,978	-
Impairment	(51,000)	(51,000)
Balance at 30 September	**16,979**	**1**

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

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

Company	Principal activities	Country of incorporation and operations	Ordinary share capital	Investment shares at cost 2017 £	Investment shares at cost 2016 £
Image Scan Ltd (previously Stereo Scan Ltd)	Development of advanced imaging technology	England	100%	**51,000**	51,000
3DX-Ray Ltd	Exploitation of advanced imaging technology	England	100%	**1**	1

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

11. Inventories

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Raw materials	**758,874**	313,456	**-**	-
Work in progress	**119,821**	54,148	**-**	-
Finished goods	**216,184**	136,980	**-**	-
	1,094,879	504,584	**-**	-

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

During the year, a provision was made against demonstration equipment and other stock of £113,517 (2016: £13,355) in the Group accounts.

12. Trade And Other Receivables

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Trade receivables	**847,142**	248,150	**-**	-
Accrued income on contracts	**194,902**	287,032	**-**	-
Other receivables and prepayments	**249,176**	155,148	**17,250**	27,227
Deferred Tax Asset	**102,811**	-	**-**	-
VAT recoverable	**266,458**	152,046	**5,849**	3,185
Amounts due from subsidiary undertakings	**-**	-	**1,810,619**	736,650
	1,660,489	842,376	**1,833,718**	767,062

As at 30 September 2017 trade receivables of £680,764 (2016: £88,632) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables were as follows:

	Group 2017	2016	Company 2017	2016
	£	£	£	£
Up to 3 months	**676,014**	79,197	**-**	-
3 to 6 months	**4,750**	5,035	**-**	-
6 to 12 months	**-**	4,400	**-**	-
	680,764	88,632	**-**	-

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. Cash And Cash Equivalents

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Cash and cash equivalents	**1,253,114**	1,054,588	**14,214**	1,032

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.

14. Trade And Other Payables

Amounts falling due within one year	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade payables	**1,225,888**	788,746	**21,556**	5,213
Deferred income	**679,763**	691,001	**-**	-
Other tax and social security	**28,324**	25,832	**-**	-
Accruals	**232,273**	121,482	**22,256**	22,831
	2,166,248	1,627,061	**43,812**	28,044

At 30 September 2017 accruals included pension contributions amounting to £nil (2016: £4,383).

15. Provisions For Liabilities And Charges

Deferred tax

The Group has unused tax losses of £5.5m (2016: £5.7m) and other temporary timing differences amounting to £nil (2016: £nil). Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movement on the deferred tax account is shown below:

Deferred tax	2017	2016
	£	£
At 1 October 2016	**-**	-
Recognised in the year	**102,811**	-
At 30 September 2017	**102,811**	-

The provision for deferred tax is calculated based on the tax rates enacted or substantially enacted at the balance sheet date. The Finance (No.2) Act 2015 enacted the corporation tax rate to reduce from the current rate of 20% to 19% from 1 April 2017 with a further reduction to 18% from April 2020. On 24 March 2016, the Chancellor of the Exchequer announced that legislation would be introduced in Finance Act 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020, superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015. These changes to the future tax rate were substantively enacted at the balance sheet date. The provision for deferred tax in the financial statements has been based upon the relevant rate to the timing differences are expected to reverse.

15. Provisions For Liabilities And Charges continued

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

Group warranty provision	2017	2016
	£	£
At 1 October 2016	**51,232**	33,180
Provision in year	**70,422**	61,958
Used in year	**(16,962)**	(23,903)
Released during the year	**(56,715)**	(20,003)
At 30 September 2017	**47,977**	51,232

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

16. Commitments

At 30 September 2017 the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Land and buildings	2017	2016
	£	£
Within one year	**38,000**	38,000
Between two and five years	**111,000**	149,000
Over five years	**-**	-
	149,000	187,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

17. Share Capital

	2017 £	2016 £
Authorised		
200,000,000 ordinary shares of 1 pence each	**2,000,000**	2,000,000
Called up, allotted and fully paid		
135,704,577 (2016: 125,604,577) ordinary shares of 1 pence each	**1,357,046**	1,256,046

During the year, the company made the following issues of shares:	Nominal Value £	Consideration £
On Placement		
On 12/05/2017 10,000,000 ordinary shares of 1p each	100,000	525,000
On Exercise of an Option		
On 20/09/2017 100,000 ordinary shares of 1p each	1,000	2,000

The following share options are outstanding at 30 September 2017:

Image Scan Share Option Scheme	Date of issue	Quantity	Exercise price	Fair value	Vesting period	Expiry date
Enterprise Management Incentive	23/11/2007	20,000	10.0p	120	3 years	23/11/2017
Enterprise Management Incentive	01/03/2010	515,000	4.0p	3,098	3 years	02/03/2020
Enterprise Management Incentive	17/09/2014	3,150,000	2.0p	17,751	3 years	17/09/2024
Unapproved Scheme	11/04/2014	1,900,000	3.375p	16,139	3 years	11/04/2024
Unapproved Scheme	22/09/2014	400,000	2.5p	2,153	3 years	22/09/2024
Enterprise Management Incentive	22/12/2015	3,450,000	2.25p	15,377	3 years	22/12/2025
Unapproved Scheme	22/12/2015	400,000	2.25p	1,783	3 years	22/12/2025
Enterprise Management Incentive	04/07/2017	1,460,000	6.25p	16,071	3 years	04/07/2027
Unapproved Scheme	04/07/2017	100,000	6.25p	1,101	3 years	04/07/2027

17. Share Capital continued

Share option movement

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

	2017 £	2017 WAEP	2016 £	2016 WAEP
At 1 October 2016	**10,115,000**	**2.54**	6,165,000	2.73
Options issued in year	**1,560,000**	**6.25**	3,950,000	2.25
Options exercised in year	**(100,000)**	**2.25**	-	-
Options lapsed in year	**(30,000)**	**18.25**	-	-
Options lapsed in year	**(150,000)**	**2.0**	-	-
At 30 September 2017	**11,395,000**	**3.02**	10,115,000	2.54

The weighted average remaining contractual life of share options outstanding at the yearend was 7.67 years (2016: 8.32 years).

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

Expected volatility (based on closing prices in the year prior to issue)	50%
Expected life	3.5 years
Risk-free rate	2.2%
Expected dividends	Zero

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

	2017 £	2016 £
Employee benefits (note 6)	**16,978**	**17,962**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 SEPTEMBER 2017

18. Transactions With Related Parties

During the year, Image Scan Holdings plc provided management services to the value of £402,056 to its subsidiary company 3DX-Ray Limited (2016: £596,665).

At the year end the Company was owed the following amounts by subsidiary companies against which a bad debt provision of £8,101,297 (2016: £8,688,860) is held:

	2017	2016
	£	£
3DX-Ray Ltd	**9,024,700**	8,431,291
Image Scan Ltd	**887,217**	887,217

The bad debt charged to 3DX-Ray Ltd's debtor balance during the period is £587,563 (2016: £118,040).

Boundary Capital Partners LLP is considered to be a related party by virtue of Richard Leaver having a material interest in, and being a partner in, the LLP. Boundary Capital Partners LLP provided consultancy services to the value of £3,375 (2016: £4,500). An amount of £nil (2016: £1,350) is due to Boundary Capital Partners LLP and is included in trade payables at the year end.

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 £88,910 (2016: £nil) and £98,732 (2016: £68,304) respectively. An amount of £22,030 (2016: £nil) is due to IXO Machinery Equipment (Shanghai) Co Ltd and an amount of £nil (2016: £49,585) is due to Aerosino Corporation Inc. and is included in trade payables at the year end.

AVS Partners Limited is considered to be a related party by virtue of William Mawer having a material interest in, and being a director in, the company. AVS Partners Limited provided consultancy services to the value of £926 (2016: £1,028). An amount of £578 (2016: £nil) 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 is disclosed in note 6.

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.

19. Financial Instruments continued

Financial instruments by category

Financial assets	2017	2016
	£	£
Cash and cash equivalents	**1,253,114**	1,054,588
Trade and other receivables	**1,171,087**	613,188
	2,424,201	1,667,776

Financial liabilities	2017	2016
	£	£
Trade and other payables	**1,458,161**	910,228
	1,458,161	910,228

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.

Liquidity risk

The Group'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 2017	2017	2016
	£	£
Due in less than one month	**697,079**	257,783
Due between one and three months	**761,082**	652,445
Due between three months and one year	**-**	-
Due after one year	**-**	-
	1,458.161	910,228

Currency profile

At 30 September 2017 amounts owed included US$127,620 (2016: US$30,000) and amounts payable included US$472,875, EUR 2,700, and ZAR 38,769 (2016: US$255,431, EUR 1,900 and ZAR 31,984). All other financial assets and liabilities are denominated in Sterling.

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.

20. Post Balance Sheet Events

There were no post balance sheet events.

NOTICE AND AGENDA OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders will be held at 1.30 p.m. on 27 February 2018 at the offices of Cantor Fitzgerald Europe, One Churchill Place, Canary Wharf, London EC14 5RB for the purpose of considering and, if thought fit, passing the following resolutions as to Resolutions 1–6 as Ordinary Resolutions and Resolution 7 as Special Resolution.

Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 30 September 2017 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 2017.
3. To re-elect as a Director V Deery.
4. To re-elect as a Director R Leaver.
5. To re-appoint BDO 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 £130,005 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 resolutions

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 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 £130,005,

    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

Sarah Atwell-King

Company Secretary

NOTES

1. If you plan to attend the AGM, please inform the Company Secretary in advance on ir@ish.co.uk to ensure that you gain admission to the meeting as quickly as possible. Please note that if you are not listed in advance, due to the security arrangements, you will need to arrive at the building at least 15 minutes prior to the start of the meeting. All attendees must have at least one form of photo ID.
2. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf.
3. A proxy need not be a member of the Company.
4. 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.
5. 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.
6. 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 1.30pm on Friday 23 February 2018 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.
7. 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.

OFFICERS AND PROFESSIONAL ADVISERS

Directors

William Mawer
Chairman and Chief Executive Officer

Vincent Deery
Sales and Marketing Director

Richard Leaver
Non-Executive Director

Timothy Jackson
Non-Executive Director

Company Secretary

Sarah Atwell King

Registered Office

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Leicestershire LE12 8LD

Company Number

03062983

Nominated Adviser & Broker

Cantor Fitzgerald Europe
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Principal Bankers

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

Solicitors

Browne Jacobson
44 Castle Gate
Nottingham NG1 7BJ

Registrars

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Neville House
18 Laurel Lane
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Auditors

BDO LLP
Statutory Auditor
Chartered Accountants
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