

IMAGE SCAN HOLDINGS PLC

Annual Report and Financial Statements

30 September 2023

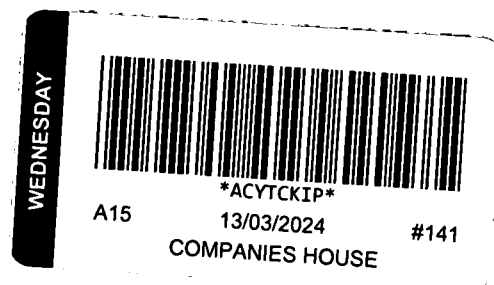


IMAGE SCAN HOLDINGS PLC

ANNUAL REPORT AND ACCOUNTS

Banner Headline

HIGHLIGHTS

Return to profit

A welcome return to profit, derived from strong teamwork, organisational restructuring and the return to near pre-pandemic levels of market activity.

FINANCIAL HEADLINES

Order intake up 31% to £2.9m (2022: £2.2m)

Sales up 50% to £3.0m (2022: £2.0m)

Gross profit 48% (2022: 54%)

Costs down 5% £1.4m (2022: £1.4m)

Pre-tax profit £0.1m (2022: loss: £0.35m)

Year-end order book £0.65m (2022: £0.71m)

Year-end cash balance £0.96m (2022: £0.69m)

BUSINESS ACTIVITY

The Group's core activity centres on the manufacturing of portable X-ray systems for security and counter-terrorism applications. Our primary end users are bomb technicians, within 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. Over the years the current range of products has been extended and improved since its initial introduction to the market, demonstrating our commitment to innovation and dedication to staying at the forefront of technological advancements. We take pride in delivering this portfolio of products to markets across the world through a strong and evolving network of international partners.

In addition to our security-focused offerings, Image Scan also manufactures industrial X-ray inspection systems, the MDXi range. The prime market for these systems is in automotive emissions control where they play a vital role in the quality control inspection of catalytic converters and diesel particulate filters. The Group has an extensive installed base of many such machines, most of which are under long term service contracts which contribute significantly to our valuable recurring revenue stream.

BUSINESS MODEL

The cornerstone of the Group's business model revolves around the life cycle of X-ray inspection systems, encompassing development, manufacturing, sales, and ongoing support. This focus extends across both security and industrial applications, reflecting our commitment to delivering leading solutions to diverse markets.

Notably, a significant portion of the Group's business in both applications is conducted on cash-neutral trading terms, fostering financial stability and flexibility. Our business model emphasises adaptability and resilience, ensuring that we meet the evolving needs of our clients while maintaining a robust financial foundation.

Driving our business model's success are various sources of growth. Internally, we explore and develop new revenue streams, underlining our commitment to innovation and staying ahead of industry trends. Additionally, we forge strategic technical partnerships that enable us to extend the Group's reach into new applications and new geographical markets. This approach enables us to take advantage of technology developments, strengthening our position for sustainability and growth in a changing and competitive business environment.

IMAGE SCAN HOLDINGS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS

Introduction

Chairman's statement	4
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Strategic Report

CEO report	5
CFO report	7

Corporate Governance

Directors' report	9
Statement of corporate governance	13
Audit Committee report	19
Nomination Committee report	21
Remuneration Committee report	22
Remuneration report	23

Financial Statements

Independent auditor's report	25
Consolidated statement of comprehensive income	33
Consolidated statement of financial position	34
Company statement of financial position	35
Consolidated and company statement of changes in equity	36
Consolidated cash flow statement	37
Company cash flow statement	38
Notes to the financial statements	39
Directors and professional advisors	58

Notice of meeting

Notice of meeting	59
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CHAIRMAN'S STATEMENT

Banner heading:

Return to profit: Image Scan achieves return to profit, meeting expectations with a notable 50% surge/upturn in Sales.

Introduction

For the year ended 30 September 2023 (the "Year"), the Group generated revenues of £3.0m (2022: £2.0m), up 50% and a profit before tax of £0.1m (2022: loss £0.35m). This performance was the result of a strong recovery in sales and good cost control. There has been a significant increase in the Group cash balances to £0.96m (2022: £0.69m).

The launch of new products and the continued new product pipeline gives us confidence for 2024.

Environmental, Social and Governance

Image Scan recognises the importance of adopting a strong environmental, social and governance ("ESG") framework, and this guides our overarching business objectives and is influential to serving the needs of all our key stakeholders. We are confident in the robust procedures we have in place across the business and intend to continue building on these in 2024.

Board Composition

The development of the board has continued this year with the appointment of Sunil Vadgama as a Non-Executive Director in December 2022. He has an excellent technical background and understanding of the product range. Dr Richard Leaver resigned from the board in September 2023 after eight years of dedicated service. The Board extends its thanks to Richard for all he has contributed and wishes him well in his future.

Outlook

On behalf of the Board and the dedicated team at Image Scan, I wish to thank our colleagues and customers for their invaluable contributions throughout 2023. Their commitment has been instrumental in positioning us for the success we outline below/within this report.

Our trading performance, aligning with expectations, reflects a commendable 50% increase in revenue and a swing of c.£450k into profitability. This accomplishment is a testament to the diligent efforts of our restructured team and the positive shifts in the business environment.

With a robust balance sheet and a healthy cash position, we stand on a strong operational and financial foundation ready for growth. The sustained vigour in our sales and marketing activities instils confidence in our ability to achieve organic growth and meet expectations for the current financial year.

While macroeconomic and geopolitical uncertainties persist, we approach each challenge as an opportunity, engaging the collective talents of our team. The Board of Directors remains confident in the Group's prospects in the medium to long term. We are committed to capitalising on this Year's performance and actively seeking strategic avenues for growth in conjunction with our organic initiatives.

Tim Jackson

CHAIRMAN

11 December 2023

CEO REPORT

Banner heading:

Sales up by 50% and return to profit: The return to near pre pandemic levels of activity and organisational restructuring push Image Scan to a £1.0m upturn in sales and a welcome return to profit of £0.1m.

I would like to take this opportunity to thank the team for their commitment shown in the year which has been instrumental in propelling the business into profitability.

BUSINESS REVIEW

With the global markets becoming more active, the marketing and sales activities have recommenced at an energetic pace. The recent introduction of the new portable product has broadened our scope of opportunity and bolstered the Group's ability to compete in international tenders.

The sales team's active participation in trade shows and Counter Explosive Ordnance (Counter EO) conventions and demonstrations has provided market experts and thought leaders' exposure to the benefits of the Group's latest product offerings and enhancements, which has directly led to an improved financial performance and sales to over 30 different countries.

We have adeptly managed the reduction in the industrial business supporting the catalyst market (associated with the internal combustion engine) and its transition of production to lower-cost countries. Our strategic measures have, to date, successfully mitigated the impact of this transition on our business demonstrating our resilience in the face of market shifts.

OUR STRATEGY

The Group's strategy focuses on the organic growth of current activities by expansion of the product range, and its target territories. The Group seeks to operate in profitable, niche security segments for which it can offer differentiated products that it offers to the market at good margins.

In industrial screening, we will continue to mitigate the reduction in the catalyst market related to the internal combustion engine and its impact on the Group revenue.

The Group possesses extensive and valuable expertise in establishing and maintaining market routes, particularly in the field of security and Counter EO. It aims to enhance these channels by incorporating new, in-house-developed products or by identifying organisations that can provide innovative technologies or products associated with the industry, thereby enriching the Group's product portfolio. The process of identifying and analysing organisations offering products or services aligned with the Group has already begun.

OUTLOOK

We expect the increased market activity observed this year to be maintained, and with heightened engagement at trade shows and conferences, we anticipate a strengthening opportunity pipeline. Expanding our product range is not only a safeguard for our market position but also provides access to opportunities that were previously unavailable with our historic product portfolio.

The Group is steadily building on its initial sales for the AXIS range X-ray systems, with a focus on showcasing this product prominently at upcoming exhibitions in the coming year. Sales of this product line are anticipated to experience growth in the upcoming financial year.

We will concentrate on our core expertise, specifically our portable X-ray products and associated software. This strategic focus is aimed at sustaining and expanding our market share, countering competition in this market. Our approach involves extending our range into markets featuring higher performance and higher value systems.

CEO REPORT

Recognising the diminishing prominence of internal combustion engines and the imperative shift towards achieving net-zero emissions, we acknowledge the necessity to pinpoint alternative sectors where our industrial inspection technology can offer a suitable and cost-effective solution, whilst minimising the impact of the decline in this revenue source. Our focus for success in this sector lies in aligning with replacement technologies for internal combustion engines which is a longer-term strategic priority.

Image Scan has successfully navigated through the challenges posed by this year's inflationary pressures, as well as the disruptions to supply chains and logistical difficulties. While the impact of supply chain disruptions is diminishing, there remains a concern regarding supply of certain components that are beyond the control of the Group.

With our new organisational structure and reduced cost base, we believe we are well-positioned to sustain the momentum of this year's achievements. Our goal is to enhance the Group's profitability and leverage the advantages of the Group listing to strategically advance the business. Our focus is on executing deliberate actions that contribute to the strategic growth of the Group, moving beyond organic growth alone.

Vince Deery
CHIEF EXECUTIVE OFFICER

11 December 2023

CFO REPORT**Banner Headline:**

Resilient Performance: Costs Down by 5% Amid Inflationary Pressures, Transforming Loss into Profit with Increased Sales

KEY PERFORMANCE INDICATORS

	2023	2022	2021	2020	2019
Order intake	£2.9m	£2.2m	£2.8m	£2.4m	£3.9m
Turnover	£3.0m	£2.0m	£2.9m	£3.5m	£2.4m
Gross margin	48%	54%	53%	49%	54%
Cash balance	£958k	£690k	£1,186k	£1,409k	£640k
Inventory Balance	£349k	£629k	£393k	£451k	£483k

FINANCIAL RESULTS

The Group had a much improved financial year, turning a pre-tax loss of £350k into a pre-tax profit of £0.1m and in addition bank balances increased by £268k to £958k (2022: £690k) putting us in a good position to continue to build the Group and its product portfolio.

As highlighted in the CEO Report, we saw renewed activity in the security market and this led to sales growth of 50%, increasing sales to £3.0m. This was driven by an increase in original equipment sales of 70% growth, including a good contribution from our most recently launched products. All regions saw sales growth, with the largest growth coming from Europe/Middle East and Africa.

A change in mix of products as well as inflationary pressures of component cost pushed gross margin down from 54% to 48% and an internal focus in the coming year will be on working with our suppliers to manage our component cost base. A strong focus by the team on the customer requirement has ensured that goods are received by our customers in a timely manner with very high standards of quality which has resulted in lower levels of spend on warranty.

In the Year, the Group applied for and won a number of grants towards our marketing and development activity, and we will continue to explore further funding opportunities.

Alongside the restructure of the Board and Management team, driving down costs has been a successful focus for the Year, while enabling the Group to continue to invest in product development and marketing. As well as the reported participation in trade shows, the Group has also increased the number of demonstration kits held and upgraded the current kits allowing the team to better tailor its demonstrations to the requirements of the customer. These investments were made while administration expenses were reduced by 5% from £1.42m to £1.35m.

This work alongside the tremendous efforts of the sales team have seen a return to profit of £0.1m (2022; loss £350k) which is a testament to the whole team.

Funds from R&D tax credits were down as the Government reduced the allowance from April 2023 but are still a good source of cashflow for the business.

In the Year, our focus on strategic inventory management proved highly successful, as we drove down stock levels. This achievement reflects our commitment to operational efficiency whilst still being able to ensure our continued ability to respond promptly to customer requests, contributing significantly to our overall success. Stock levels have fallen from £629k to £349k ensuring funds are not tied up unnecessarily while delivering in agreed timescales.

At the same time, bank balances have increased to £958k (2022: £690k) which is a net increase of £268k. Funds generated from operating activities were positive at £430k (2022: used £290k) some of which has been invested in the new product range with a combined spend net of grants of £309k (2022: £395k without grants).

Delivering the turn around and achieving a pre-tax profit of £0.1m could not have been achieved without the commitment and focus of the team at Image Scan and I would add my thanks to the whole team.

CFO REPORT**Financial risks**

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

RISK
Currency risk The Group has a policy not to use hedging contracts. The Group is therefore exposed to exchange rate fluctuations on purchases and sales in foreign currency. Fluctuations in purchase price are managed by setting sales prices and, where possible, receipts of currency are matched against purchases in currency. The Board keeps this policy under review.
Credit risk The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited due to the Group's policy of using banks with a high credit rating assigned by an international credit rating agency. With respect to trade receivables, payment terms typically require a substantial deposit on placement of the order and a majority of the contract paid prior to shipment.
Liquidity risk The Group's policy is to manage liquidity risk by ensuring sufficient cash balances are in place to meet its commitments and to monitor risk on an ongoing basis by reviewing cash flow forecasting on a regular basis. The Group has positive cash balances and has therefore been able to meet its working capital requirements throughout the Year.
Impairment risks The Group regularly reviews the carrying value of the Group's assets and, where impairment triggers are identified, assesses the need to recognise impairments against the value of the Group.

Sarah Atwell King
CHIEF FINANCIAL OFFICER

11 December 2023

IMAGE SCAN HOLDINGS PLC

DIRECTOR'S REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 September 2023.

DIRECTORS

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

T D Jackson
R A Leaver (resigned 30 September 2023)
S Vadgama (appointed 14 December 2022)
V J Deery
S A Atwell King

SHAREHOLDINGS

At the date of this report, the number of issued shares were 136,854,577 and the following substantial shareholdings have been notified to the Company:

	%	Ordinary shares of 1 pence each
Rise Step International Development Ltd	22.56	30,873,331
D Allenby	13.35	18,268,085
Braveheart Investment Group plc	8.06	11,033,276
C Cozens	4.03	5,510,500
Directors shareholdings		
T D Jackson	0.28	378,300
S Vadgama	0.04	61,353
V J Deery	0.36	486,923
S A Atwell King	0.35	477,985

DIVIDENDS

The Directors do not recommend the payment of a dividend.

RESEARCH AND DEVELOPMENT

Research and development expenditure was mainly focused on developing the portable X-ray inspection system as set out in the CEO Report. Costs in the Year of £184,827 (2022: £218,194) were charged to the statement of comprehensive income with £124,290 net of grant income (2022: £177,345) capitalised.

COMPANY NUMBER

03062983 (England and Wales).

STRATEGIC REPORT

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

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

DIRECTOR'S REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risks

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

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

Risk	Mitigation
Shareholder concentration A single shareholder (Rise Step) holds 23% of the stock, meaning that this shareholder's support is required in most scenarios in order to pass a special resolution.	Communication with all significant shareholders.
Revenue pattern The order intake pattern is irregular in that either product or payment terms vary for each contract. This creates potential challenges for supply chain management, resource scheduling and cash flow.	The expansion of the product range and diversification of market should "flatten out" the pattern of order intake over time. Working capital is carefully monitored through detailed cash flow forecasts, monthly by the Board and stock holding is reviewed at management meetings. The sales pipeline is reviewed by the management team along with related supply chain issues. Key suppliers now hold stock for the Group to call off as required, reducing the working capital requirement while retaining flexibility.
Competitive market The portable X-ray market is competitive with multiple players and competing technologies	Programme of continuous innovation and focussed marketing to ensure product differentiation and diversification. Early engagement with partners and customers to ensure the benefits of the Group's technologies are recognised in procurement decisions.
Disruption of global supply chains A variety of issues are leading to global and local shortages and delays to supply of key commodities and components.	The Group regularly reviews future availability of components against the sales forecast. This is achieved by strong relationships with key suppliers to mitigate risks at second and third tier levels in the supply chain. It may selectively hold higher than normal stocks of key items where shortages are anticipated.

Share price performance

The highest and lowest share prices during the Year were 2.55 pence and 0.825 pence per share respectively. The closing mid-market price was 1.78 pence per share.

CORPORATE GOVERNANCE

The Group continues to adopt the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. The Corporate Governance statement can be found on page 13 of this report.

s172 STAKEHOLDER ENGAGEMENT IMPACT STATEMENT

This statement can be found on page 17 as part of the Corporate Governance Statements.

DIRECTOR'S REPORT

DIRECTORS' STATEMENT OF RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and Company financial statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for AIM companies.

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

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

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

Website publication

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

GOING CONCERN

The Directors have assessed the going concern position of the Group and the Company. Further details of Group strategy and trading are set out in the CEO's Report on page 5.

Based on the Group's Board approved trading and cash flow forecasts, for 2024 and 2025, which anticipates continued profitable trading, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the Financial Statements. The Directors have reached this conclusion after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In making their assessment the Directors have considered the following:

- The Group's performance in 2023.
- The Group's financial resources at the time of signing this report which, combined with the committed order book and reasonable assumptions about future renewals of the support contracts, support the ability to absorb a significant reduction in product revenues, both compared with the budgets and forecasts and prior years, without exhausting the cash resources.
- The expansion of the Group's product range to meet the needs of customers.
- The Group's financial plans and commitments, including product development, supply chain and other non-variable/non-discretionary costs.
- The principal risks associated with the business, including geo-political risks.

DIRECTOR'S REPORT

The Directors concluded that the key risk is the unpredictability of demand from customers. Based on current trading, including orders received and order enquiry levels, a reverse stress test has been carried out to model the reduction in revenue that could be absorbed. This indicates that a reduction of c.24% of the revenue for the year to 30 September 2024, whilst considered extremely unlikely, could be absorbed before available cash resources would be exhausted within the next 12 months.

The Directors have also reviewed the supply chain and the inflationary pressures on components. The Directors are satisfied that sufficient mitigating actions have been put in place, as has been demonstrated in 2023, including alternative sources of supply, should there be any disruption with existing supply chain arrangements.

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

POST BALANCE SHEET EVENTS

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

AUDITORS

BDO LLP resigned during the year and Dains Audit Limited were appointed as successor auditors. They will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board

Vincent Deery
CHIEF EXECUTIVE OFFICER
11 December 2023

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE WITH THE 2018 CORPORATE GOVERNANCE CODE

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

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

Whilst the Company is guided by the provisions of the QCA Code in respect of my independence as Chairman, the Board gives regard to the overall effectiveness and independence of the contribution made by Directors to the Board and does not consider a Director's tenure and participation in the Company's share option Schemes in isolation to determine this independence.

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

Tim Jackson
Chairman, Image Scan Holdings plc

CORPORATE GOVERNANCE STATEMENT

The Board ensures that the Company maintains proper standards of corporate governance and that the principles of best practice, as set out in the 2018 QCA Corporate Governance Code, are followed so far as is practicable and appropriate to the size and nature of the Group and the constitution of the Board. Set out below is a summary of how, the Group is applying the key requirements of the Code and an explanation of where it has chosen not to fully comply.

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

The strategy and business operations of the Group are set out in the Strategic Report on pages 5 to 6. The Group's strategy and business model are developed and approved by the Board. The management team is responsible for implementing the strategy and managing the business at an operational level. The Group's overall strategic objective is focused on the development and commercialisation of market leading X-ray solutions for use in the global security and industrial inspection markets.

2. Seek to understand and meet shareholder needs and expectations

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

Further details are set out on pages 17 to 18 in the s172 Stakeholder Engagement Impact Statement of this report.

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

The Board is responsible for the Group's internal control and risk management systems and for monitoring their effectiveness. This is delegated to the Audit Committee as set on pages 19 to 20. The Board maintains a system of internal controls to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces.

Details of the principal risks and how they are mitigated, are set out in the Directors report on page 10.

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

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

The Board of Image Scan is comprised of the Chairman, one further Non-Executive Director and two Executive Directors. At every AGM, one-third of the Directors must retire by rotation.

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent non-executive directors. The Board have considered each non-executive directors' length of service and interests in the share capital of the Company and consider that Mr Jackson and Mr Sunil are independent of the executive management and free from any undue extraneous influences which might otherwise affect their judgement. All Board members are fully aware of their fiduciary duty under company law and consequently seek at all times to act in the best interests of the Company as a whole.

Whilst the Company is guided by the provisions of the Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence and does not consider a director's period of service in isolation to determine this independence. The Board acknowledge that Mr Jackson, who joined the Board on 22 September 2014, has served for longer than the recommended nine year period and participates in the Company's share option scheme.

The Board's role is to establish the strategic objectives and policies; oversee all aspects of the Group's finances and operations; continuously review performance and controls; manage risk; decide on key business transactions and manage the interests of stakeholder groups.

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

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

CORPORATE GOVERNANCE REPORT

Attendance at Board and its Committee meetings

The following meetings were held during the Year.

	Number of Meetings	Attendance				
		T Jackson	R Leaver	S Vadgama	V Deery	S Atwell King
Board	15	*15	15	10	15	15
Audit Committee	3	*3	3	2	2	n/a
Remuneration Committee	4	4	4	*1	2	n/a
Nomination Committee	1	*1	1	-	1	n/a

*Indicates the Chair of the committee

From October 2023, the terms of reference of each committee are updated so that the membership of the committees are restricted to Non-Executive Directors but that at least one Executive Director will be in attendance at each committee meeting.

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

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

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

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

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

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

The Board undertakes an annual evaluation under a formal, self-evaluation process. This process has led to a number of actions, including alternative sources of information that the Board receives, and the Board defined initiatives which are reviewed regularly at Board meetings. The process focuses closely on objectives and targets for improving performance.

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

The Group is committed to a culture of equal opportunities for all employees. The Board aims to be diverse in terms of its range of culture, nationality and international experience. When there are changes to the Board, the Board will, subject to identifying appropriate candidates, consider the makeup of the Board in making further appointments.

The Board acts to strengthen the culture of the business by setting of values and setting an example which is consistent with the vision and objectives of the Group and flows these down through a set of specific initiatives. These initiatives are driven personally by the Chief Executive and a progress on these are reported to the Board.

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

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

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee comprises Tim Jackson, who acts as the Chairman, Richard Leaver to September 2023, Vince Deery to December 2022 and Sunil Vadgama from December 2022. Tim Jackson is considered to have recent and relevant financial and legal knowledge and experience.

The Audit Committee has three scheduled meetings per year.

The Audit Committee report can be found on pages 19 and 20.

Remuneration Committee

The Remuneration Committee comprises Richard Leaver, who acted as the Chairman to September 2023, Vince Deery to December 2022, Sunil Vadgama who joined the committee in December 2022 and has taken on the role of Chairman from 1st October and Tim Jackson.

The Remuneration Committee normally meets at least once a year.

The Remuneration Committee report can be found on page 22.

Nominations Committee

The Nominations Committee comprises of Tim Jackson, who acts as the Chairman, Richard Leaver to September 2023, Vince Deery to December 2022 and Sunil Vadgama from December 2022.

The Nominations Committee normally meets at least once a year.

The Nomination Committee report can be found on page 21.

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

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

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

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

The Group communicates with its staff in a number of ways including annual appraisals and periodic staff briefings.

CORPORATE GOVERNANCE REPORT

s172 STAKERHOLDER ENGAGEMENT IMPACT STATEMENT

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

How the Group engages with its key shareholders

Stakeholder	Examples of engagement
Employees	<ul style="list-style-type: none"> • Comprehensive induction plan for new joiners • Annual employee review process • Promote engagement through regular Group-wide staff briefings. • Recognition scheme rewarding individual staff for contributions to the Group
Suppliers	<ul style="list-style-type: none"> • Comprehensive and ongoing assessment of significant suppliers • Share manufacturing forecasts with key suppliers and set up call-off agreements. • Regular engagement with key suppliers to discuss performance
Customers and distribution partners	<ul style="list-style-type: none"> • Regular communications of product and pricing information • Comprehensive support and training for partners • Field support services, including 24-hour help-line offered for all products • Periodic customer and partner satisfaction surveys • Targeted marketing campaigns to support partner sales campaigns • Exhibition and industry forums
Shareholders	<ul style="list-style-type: none"> • Biannual reporting of results • Detailed presentation at the Annual General meeting • Important developments reported through RNS releases • Visits by individual shareholders to the Company premises

CORPORATE GOVERNANCE REPORT

Principal decisions linked to our strategy and the stakeholders impacted

Decision	Considerations	Stakeholders impacted
Setting annual financial budget, Updates of forecasts with reviews of market expectations	Budget is set giving consideration to global economic factors, market requirements, government spending trends and the impact the introduction of new products. Supply chain and inflationary pressures were also taken into consideration. Detailed consideration is given to trading performance and pipeline opportunities against plans throughout the year and how the investment in marketing and product development is performing.	Shareholders, employees
New product investments	As part of its investment in future sales, internal development of key products continued, leading to the launch of the new premium portable X-ray product. A number of other opportunities both for internal development and external partnership were evaluated, including return on investments and when their introduction would fit with our product offering.	Shareholders, customers
Supply chain issues	Disruption experienced in global supply chains continued throughout the Year albeit at a more manageable level. The Board monitored the situation closely and made decisions regarding holding supplies of key components in order to protect customer delivery times.	Customers, suppliers
Board structure	Board composition was considered in the Year and Mr Sunil Vadgama joined the Board as a non-Executive director being considerable knowledge and experience in X-ray technology. In September Dr Leaver stepped down as Deputy Chairman of the Board.	Shareholders, employees

Share Dealing Code

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

Anti-Bribery Policy

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

AUDIT COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Tim Jackson	3
Member	Richard Leaver (to September 2023)	3
Member	Vince Deery (to December 2022)	2
Member	Sunil Vadgama (from December 2022)	1

Roles and responsibilities

The Audit Committee has responsibility for:

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

It also oversees:

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

Activities during the Year

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

Financial statements and reports

- reviewed the annual report and accounts, and received reports from the external auditor;
- reviewed the effectiveness of the Group's internal controls and the disclosures made in the annual report and accounts;
- appointed Dains Audit Limited as auditors for the financial year ended September 2023 and appointed Macintyre Hudson as the tax accountants.
- reviewed management representation letters, going concern reviews and significant areas of accounting estimates and judgements, including warranty provisions, stock valuation and impairment;
- reviewed the evidence supporting revenue recognition and debtor recoverability of both customers and intercompany debt; and
- reported to the Board on the appropriateness of accounting policies and practices which and clarifying the policy on grant recognition.

Risk management

- considered the Group's risk register, which identified, evaluated and set out mitigation of risks, and reviewed the principal risks and uncertainties disclosed in the annual report and accounts.
- considered the cyber security arrangements in place and the award of Cyber Essentials in the Year.

External audit and non-audit work

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

AUDIT COMMITTEE REPORT

Internal controls and risk management

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

The Group's principal risks and uncertainties are described on page 10 of the Director's Report

The following key elements comprise the internal control environment, which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives and ensure accurate and timely reporting of financial data for the Company and the Group:

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

Tim Jackson
Chairman of the Audit Committee
11 December 2023

NOMINATION COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Tim Jackson	1
Member	Richard Leaver (to September 2023)	1
Member	Vince Deery (to December 2022)	1
Member	Sunil Vadgama (from December 2022)	n/a

Roles and responsibilities

The Nomination Committee has responsibility for:

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

Activities during the Year

The Nominations Committee met once during the Year, reviewing the structure and make-up of the Board and in particular the appointment of Sunil Vadgama and the impact of the retirement of Richard Leaver.

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

Tim Jackson
Chairman of the Nomination Committee
11 December 2023

REMUNERATION COMMITTEE REPORT

Membership and attendance

	Director	Attendance
Chairman	Richard Leaver (to September 2023)	4
Chairman	Sunil Vadgama (member from December 2022), Chairman (from October 2023)	1
Member	Tim Jackson	4
Member	Vince Deery	2

Roles and responsibilities

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

The Committee's main responsibilities are:

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

Activities during the Year

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

- reviewed and approved the remuneration policy for 2022/2023;
- reviewed and approved the parameters of the Annual Bonus Plan for the Group;
- managed the Company's share option schemes
- reviewed and approved Executive Directors salaries for 2023/24; and
- reviewed performance measures for 2023/2024 for the Executive Directors

Details of the Directors' remuneration are found in the Directors' remuneration report as set out on page 23.

Sunil Vadgama
Chairman of the Remuneration Committee
11 December 2023

DIRECTORS' REMUNERATION REPORT

The Directors present the Directors' remuneration report for the year ended 30 September 2023. 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, Sunil Vadgama, 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	
	£	£	£	£	£	2023	2022
						£	£
Executive							
V J Deery	119,437	-	1,104	3,000	11,070	134,611	119,828
W R Mawer	-	-	-	-	-	-	56,229
S A Atwell King	101,043	-	-	-	9,082	110,125	104,567
Non-executive							
R A Leaver	-	17,925	2,208	-	-	20,133	19,315
T D Jackson	-	20,844	-	-	-	20,844	17,262
S Vadgama	-	4,210	393	-	-	4,603	-
Total 2023	220,480	42,979	3,705	3,000	20,152	290,316	317,201
Total 2022	256,764	34,523	7,241	-	18,673	317,201	

This table excludes any share-based payments.

DIRECTORS' REMUNERATION REPORT**Share option schemes**

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

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

The following existing options have been granted:

Holder	Image Scan share option scheme	Number	Exercise price	Date of grant	Vesting period	Expire
V J Deery	EMI	750,000	2.0p	17/09/2014	3 years	17/09/2024
S A Atwell King	EMI	50,000	2.0p	17/09/2014	3 years	17/09/2024
R A Leaver	Unapproved Scheme	400,000	3.375p	11/04/2014	3 years	11/04/2024
T D Jackson	Unapproved Scheme	400,000	2.5p	22/09/2014	3 years	22/09/2024
V J Deery	EMI	1,000,000	2.25p	22/12/2015	3 years	22/12/2025
R A Leaver	Unapproved Scheme	200,000	2.25p	22/12/2015	3 years	22/12/2025
T D Jackson	Unapproved Scheme	200,000	2.25p	22/12/2015	3 years	22/12/2025
S A Atwell King	EMI	300,000	2.25p	22/12/2015	3 years	22/12/2025
V J Deery	EMI	440,000	6.25p	04/07/2017	3 years	04/07/2027
R A Leaver	Unapproved Scheme	50,000	6.25p	04/07/2017	3 years	04/07/2027
T D Jackson	Unapproved Scheme	50,000	6.25p	04/07/2017	3 years	04/07/2027
S A Atwell King	EMI	200,000	6.25p	04/07/2017	3 years	04/07/2027

Richard Leaver stepped down from the Board on 30th September 2023. The Unapproved Scheme allows members to exercise options up to three months after standing down and at the time of signing this report, the options are still active.

Sunil Vadgama
Chairman of the Remuneration Committee
11 December 2023

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

Opinion on the financial statements

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 2023 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows, 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 Group financial statements is applicable law and UK adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- 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 responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

As part of designing our audit approach, we obtained an understanding of the Group and its environment, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as complexity of operations and the degree of estimation and judgement in the financial results.

The Group financial statements are a consolidation of three reporting units, comprising the Group's parent company, one trading subsidiary (3DX-Ray Limited) and a dormant subsidiary (Image Scan Limited).

The Group audit team performed full scope audits of the complete financial information of Image Scan Holdings Plc, 3DX-Ray Limited and Image Scan Limited, which are considered to be the Group's significant components and which accounted for 100% of the Group's total revenue and assets.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

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.

Key audit matters	How our scope addressed this matter
<p>Intangible assets</p> <p>The Group has intangible assets with a carrying value of £321k which largely represents capitalised product development expenditure. The Group's accounting policy for development expenditure is disclosed in note 2.</p> <p>In accordance with accounting standards development expenditure shall only be capitalised when certain criteria can be demonstrated. The application of this policy involves management judgment and estimates including, but not limited to, the assessment of product technical feasibility and financial viability and therefore we have determined intangible assets as a key audit matter.</p>	<p>We have tested the judgements made by management in undertaking the decision to capitalise certain product development expenditure which included, but is not limited to, identifying the products and assessing the reasonableness of the return on investment (ROI).</p> <p>We compared actual sales information to that used in the ROI forecasts to assess viability and challenged the robustness of the key assumptions including those around unit volumes, pricing and volumes.</p> <p>We also performed our own sensitivity analysis on managements review for potential impairment of capitalised product development expenditure.</p> <p>We reviewed the disclosure prepared by the Directors set out in note 2 to ensure we considered it to be appropriate.</p> <p>Key observations:</p> <p>Nothing has come to our attention to suggest that development costs are not appropriately capitalised.</p>
<p>Revenue recognition</p> <p>The Group's accounting policy for revenue recognition is disclosed in note 2. The application of this policy requires judgement by management in interpreting the terms of sales contracts and determining the point at which contractual obligations are satisfied and control transfers to the customer.</p> <p>In addition, there is a rebuttable presumption that revenue recognition gives rise to a risk of material misstatement and therefore we have determined revenue recognition as a key audit matter.</p>	<p>We have assessed the Group's revenue accounting policy as disclosed in note 2 to the financial statements to ensure revenue is recognised at the point when the satisfaction of performance obligations is fulfilled and control is transferred to the customer.</p> <p>We challenged any significant judgements, such as interpreting the terms of sales contracts and the point at which control is transferred to the customer and corroborated this through the inspection of supporting documentation.</p> <p>We have documented and evaluated the revenue processes within the Group to ensure that the capture of revenue data is accurate and within the correct accounting period, including ensuring that where invoices were raised in advance of performance obligations that appropriate amounts has been</p>

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

Key audit matters	How our scope addressed this matter
	<p>deferred and shown as contract liabilities, with costs of production recognised within inventory.</p> <p>We have specifically tested the completeness of revenue, tracing a sample of customer orders from delivery note to invoice.</p> <p>We reviewed the disclosure prepared by the Directors set out in note 2 to ensure we considered it to be appropriate.</p> <p>Key observations:</p> <p>Nothing has come to our attention to suggest that revenue is not recognised appropriately.</p>
<p>Going concern</p> <p>Details of the Directors' going concern assessment are disclosed in note 2.</p> <p>The Board has formed a judgement that it is appropriate to prepare the financial statements on a going concern basis based on an evaluation of the inherent risks faced, including the potential impact on the Group of the wider current economic uncertainties and geo-political events. There is a risk that the Group may have insufficient financial resources in order to successfully secure and fulfil orders for new equipment and continue to renew existing after sales contracts with existing customers in the forecast period.</p> <p>Based on the significance of the judgements in this area we have determined going concern to be a key audit matter.</p>	<p>We have tested the judgements made by management in assessing the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting.</p> <p>We critically assessed management's trading and cash flow budgets and forecasts, which cover the period to 30 September 2025. This included challenging the key estimates and judgements and the evidence underpinning them. In doing so, we specifically considered the principal trading and cash flow assumptions. Our challenge of the revenue assumptions included consideration of customer enquiries, current order levels and all other relevant information from customers available up to the date of issuance of our report.</p> <p>We tested the various scenarios and sensitivities performed by management in respect of the key assumptions underpinning the budgets and forecasts and challenged the sensitivities to ensure they reflected all reasonably foreseeable events and circumstances.</p> <p>We reviewed the reverse stress-testing performed by management and considered the headroom between the budgets and forecasts and the reverse stress-test assumptions, together with considering the likelihood that unforeseen events and circumstances might occur resulting in the reverse stress test becoming a reality.</p> <p>We reviewed the disclosure prepared by the Directors set out in note 2 to ensure we considered it to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

Key audit matters	How our scope addressed this matter
	<p>Key observations:</p> <p>We have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.</p>

Conclusions relating to going concern

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

To evaluate the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, we completed the following audit procedures:

- obtained an understanding of the relevant controls relating to the Group's budgeting and forecasting process;
- challenged the key assumptions underpinning the Group's forecasts; and
- assessed the appropriateness of the Group's disclosure concerning the adoption of the going concern basis of accounting.

The Directors' forecasts demonstrate that the Group can continue to trade for a period of at least 12 months from the date of approval of the financial statements.

We have reviewed the disclosures prepared by the Directors set out in note 2 and consider them to be appropriate.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

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

	Group financial statements	Company financial statements
Overall materiality	Materiality: £57,000 (2022: £20,000). Performance Materiality: £43,000 (2022: £15,000).	Materiality: £29,000 (2022: £19,000). Performance Materiality: £22,000 (2022: £14,250).
How we determined it	Based on 2% (2022: 1%) of Group revenue	Based on 2% of company assets (2022: 95% of group materiality)
Rationale for benchmark applied	We believe that revenue is the primary measure used by shareholders in assessing the performance of the Group. Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Having considered the control environment, we have set performance materiality at 75% of materiality.	We believe that gross asset value is the primary measure used by shareholders in assessing the performance of the company. Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Having considered the control environment, we have set performance materiality at 75% of materiality.

For each component in the scope of our Group audit, we allocated a materiality not greater than our overall Group materiality. The range of materiality allocated across components was between £57,000 and £17,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,900 (2022 - £1,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 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.

Other Matter

The financial statements for the year ended 30th September 2022 were audited by BDO LLP who expressed an unmodified opinion on those financial statements on 12th December 2022.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 11, 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group, including the financial reporting legislation, Companies Act 2006, the AIM listing rules, taxation legislation, anti-bribery, employment, and environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF IMAGE SCAN HOLDINGS PLC

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Use of this report

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.

Mark Hargate FCA (Senior Statutory Auditor)

For and on behalf of Dains Audit Limited,

Statutory Auditor

Chartered Accountants

Birmingham

11 December 2023

IMAGE SCAN HOLDINGS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 September 2023

	Note	2023 £	2022 £
REVENUE	3	2,962,934	2,002,299
Cost of sales		<u>(1,527,723)</u>	<u>(924,380)</u>
Gross profit		1,435,211	1,077,919
Administrative expenses		(1,354,652)	(1,421,456)
Other Operating Income	4	<u>14,934</u>	<u>-</u>
OPERATING PROFIT/(LOSS)	5	95,493	(343,537)
Finance income	7	6,639	440
Interest payable and similar charges	12	<u>(5,555)</u>	<u>(6,426)</u>
PROFIT/(LOSS) BEFORE TAXATION		96,577	(349,523)
Taxation	8	<u>27,362</u>	<u>77,998</u>
PROFIT /(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY OWNERS OF THE PARENT COMPANY		123,939	(271,525)
		<u><u> </u></u>	<u><u> </u></u>
		Pence	Pence
Earnings/(loss) per share	9		
Basic		0.09	(0.20)
Diluted		<u>0.09</u>	<u>(0.20)</u>

There was no other comprehensive income for 2023 (2022: £nil).

IMAGE SCAN HOLDINGS PLC


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Note	2023 £	2022 £
NON-CURRENT ASSETS			
Intangible assets	10	320,957	257,554
Property, plant and equipment	11	6,599	13,559
Right of use asset	12	153,678	193,053
		<u>481,234</u>	<u>464,166</u>
CURRENT ASSETS			
Inventories	14	348,753	628,903
Trade and other receivables	15	633,870	638,292
Cash and cash equivalents	16	958,465	689,543
		<u>1,941,088</u>	<u>1,956,738</u>
TOTAL ASSETS		<u>2,422,322</u>	<u>2,420,904</u>
CURRENT LIABILITIES			
Trade and other payables	17	712,455	793,459
Lease liability	12	37,625	37,625
Warranty provision	18	33,858	37,930
		<u>783,938</u>	<u>869,014</u>
NON-CURRENT LIABILITIES			
Lease liability	12	126,683	164,128
		<u>126,683</u>	<u>164,128</u>
NET ASSETS		<u>1,511,701</u>	<u>1,387,762</u>
EQUITY			
Share capital	19	1,368,546	1,368,546
Share premium account		8,332,910	8,332,910
Profit and loss account		(8,189,755)	(8,313,694)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS		<u>1,511,701</u>	<u>1,387,762</u>

These financial statements were approved and authorised for issue by the Board of Directors on 11 December 2023.

Signed on behalf of the Board of Directors


Vincent Deery
CHIEF EXECUTIVE OFFICER

Company Number 03062983

IMAGE SCAN HOLDINGS PLC

COMPANY STATEMENT OF FINANCIAL POSITION As at 30 September 2023

	Note	2023 £	2022 £
NON-CURRENT ASSETS			
Investments in Group undertakings	13	21,377	21,377
CURRENT ASSETS			
Trade and other receivables	15	1,440,354	1,388,279
Cash and cash equivalents	16	8,955	14,072
		<u>1,449,309</u>	<u>1,402,351</u>
TOTAL ASSETS		<u>1,470,686</u>	<u>1,423,728</u>
CURRENT LIABILITIES			
Trade and other payables	17	51,525	69,466
NET ASSETS		<u>1,419,161</u>	<u>1,354,262</u>
EQUITY			
Share capital	19	1,368,546	1,368,546
Share premium account		8,332,910	8,332,910
Profit and loss account		(8,282,295)	(8,347,194)
TOTAL EQUITY		<u>1,419,161</u>	<u>1,354,262</u>

As permitted by s408 of the Companies Act 2006, a separate income statement for the Company has not been included. The profit for the financial Year dealt with in the financial statements of the Company was £64,899 (2022: loss of £134,817).

These financial statements were approved and authorised for issue by the Board of Directors on 11 December 2023.

Signed on behalf of the Board of Directors



Vincent Deery
CHIEF EXECUTIVE OFFICER

Company Number 03062983

IMAGE SCAN HOLDINGS PLC

STATEMENT OF CHANGES IN EQUITY For the year ended 30 September 2023

CONSOLIDATED	Share capital £	Share premium £	Profit and loss account £	Total £
As at 1 October 2021	1,363,546	8,327,910	(8,042,169)	1,649,287
Shares issued in the year	5,000	5,000	-	10,000
Loss for the year and total comprehensive income for the year	-	-	(271,525)	(271,525)
As at 30 September 2022	1,368,546	8,332,910	(8,313,694)	1,387,762
Shares issued in the year	-	-	-	-
Profit for the year and total comprehensive loss for the year	-	-	123,939	123,939
As at 30 September 2023	1,368,546	8,332,910	(8,189,755)	1,511,701
COMPANY	Share capital £	Share premium £	Profit and loss account £	Total £
As at 1 October 2021	1,363,546	8,327,910	(8,212,377)	1,479,079
Shares issued in the year	5,000	5,000	-	10,000
Loss for the year and total comprehensive income for the year	-	-	(134,817)	(134,817)
As at 30 September 2022	1,368,546	8,332,910	(8,347,194)	1,354,262
Shares issued in the year	-	-	-	-
Profit for the year and total comprehensive income for the year	-	-	64,899	64,899
As at 30 September 2023	1,368,546	8,332,910	(8,282,295)	1,419,161

IMAGE SCAN HOLDINGS PLC

CONSOLIDATED CASH FLOW STATEMENT Year ended 30 September 2023

		2023 £	2022 £
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Operating profit /(loss)		95,493	(343,537)
Adjustments for:			
Amortisation of intangible assets	10	60,887	29,381
Depreciation	11	6,960	6,098
Amortisation of right of use asset	12	39,375	39,375
Decrease in impairment of inventories	14	(54,349)	(11,263)
Decrease/(increase) in inventories	14	334,499	(224,566)
(Increase)/decrease in trade and other receivables	15	(40,485)	132,441
(Decrease)/increase in trade and other payables	17	(81,004)	41,179
Decrease in warranty provisions	18	(4,072)	(7,710)
Cash generated from / (used in) operating activities		357,304	(338,602)
Corporation tax received	8	72,269	48,114
Net cash flows generated from/ (used in) operating activities		429,573	(290,488)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	7	6,639	440
Purchase of intangibles	10	(124,290)	(177,345)
Purchase of property, plant and equipment	11	-	(1,862)
Net cash used in investing activities		(117,651)	(178,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments (capital and interest)	12	(43,000)	(37,625)
Proceeds from issue of share capital		-	10,000
Net cash used in financing activities		(43,000)	(27,625)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		268,922	(496,880)
Cash and cash equivalents at beginning of year		689,543	1,186,423
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	958,465	689,543

IMAGE SCAN HOLDINGS PLC

COMPANY CASH FLOW STATEMENT Year ended 30 September 2023

		2023 £	2022 £
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Operating profit/(loss)		64,899	(134,817)
Adjustments for:			
(Decrease)/increase in intercompany receivables	15	(60,389)	115,049
Decrease/(increase) in trade and other receivables	15	8,314	(5,924)
(Decrease)/increase in trade and other payables	17	(17,941)	5,456
Net cash used in operating activities		(5,117)	(20,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	10,000
Net cash flow generated from financing activities		-	10,000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,117)	(10,236)
Cash and cash equivalents at beginning of year		14,072	24,308
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	8,955	14,072

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

1. GENERAL INFORMATION

Image Scan Holdings plc is a public limited company, limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given in the Officers and Professional Advisers section. The nature of the Group's operations and its principal activities are set out in the CEO's Report and in the revenue note in the financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated and single entity financial statements have been prepared in accordance with UK adopted international accounting standards and the International Financial Reporting Interpretation Committee ('IFRIC') interpretations. The financial statements have been prepared under the historical cost convention.

GOING CONCERN

The Directors have assessed the going concern position of the Group and the Company. Further details of Group strategy and trading are set out in the CEO's Report on page 5.

Based on the Group's Board approved trading and cash flow forecasts, for 2024 and 2025, which anticipates continued profitable trading, the Directors have concluded that it remains appropriate to adopt the going concern basis in preparing the Financial Statements. The Directors have reached this conclusion after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance published by the UK Financial Reporting Council.

In making their assessment the Directors have considered the following:

- The Group's performance in 2023.
- The Group's financial resources at the time of signing this report which, combined with the committed order book and reasonable assumptions about future renewals of the support contracts, support the ability to absorb a significant reduction in product revenues, both compared with the budgets and forecasts and prior years, without exhausting the cash resources.
- The expansion of the Group's product range to meet the needs of customers.
- The Group's financial plans and commitments, including product development, supply chain and other non-variable/non-discretionary costs.
- The principal risks associated with the business, including geo-political risks.

The Directors concluded that the key risk is the unpredictability of demand from customers. Based on current trading, including orders received and order enquiry levels, a reverse stress test has been carried out to model the reduction in revenue that could be absorbed. This indicates that a reduction of c.24% of the revenue for the year to 30 September 2024, whilst considered extremely unlikely, could be absorbed before available cash resources would be exhausted within the next 12 months.

The Directors have also reviewed the supply chain and the inflationary pressures on components. The Directors are satisfied that sufficient mitigating actions have been put in place, as has been demonstrated in 2023, including alternative sources of supply, should there be any disruption with existing supply chain arrangements.

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

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

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

New accounting standards, amendments, and interpretations

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

Basis of consolidation

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

Revenue recognition

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

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

Product Manufacturing – Point in Time – revenue is recognised at the point at which control is transferred to the customer which is determined by the specific terms of the contract. This is typically on an ex-work basis or where the contract stipulates that control will pass to the customer on delivery, revenue is recognised based on the relevant Incoterms. Where delivery is arranged for the customer, revenue will be recognised either when confirmation of delivery is received from the courier or five working days after collection from site.

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

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

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

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

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

Grants of a revenue nature are recognised as Other Operating Income with the statement of comprehensive income in the same period as the related payment.

Taxation

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

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

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

Intangible assets

Acquired software

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

Business software	-	three years
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Internally generated assets

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

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

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

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

Property, plant and equipment

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

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

Assets under construction are not depreciated until brought into use.

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Right of use assets and lease liabilities

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

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

Pension costs

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

Impairment of non-financial assets

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

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

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

Investments

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

Inventories

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

Research and development costs

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

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

Foreign currencies

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Trade payables

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

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

Amounts recoverable from group companies

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

Accounting judgements and key sources of estimation uncertainty

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2023**

Key estimates and judgements

(a) Revenue recognition on contracts.

The Group enters into sales with customers with contractual terms specific to each contract, including stage payments, and revenue is recognised in accordance with the accounting policy set out on page 40. In applying the accounting policy, the Board must determine that all the relevant criteria are met in accordance with the Group's accounting policy in order to recognise revenue. This requires detailed review of the contractual terms and an understanding of the performance obligations in place with each specific customer. At the year end, there is £367k (2022: £388k) of contract liabilities in relation to payments in advance that will be recognised when the contract terms are met.

(b) Impairment of amounts recoverable from subsidiary company

The Company acts as a holding company for its trading subsidiary and provides funding in the way of an intercompany loan as disclosed in note 15. The Board must determine if there has been a significant increase in credit risk on the intercompany loan to establish the impairment model applied. The Board has continued to use the results of the subsidiary compared to budget and expectations, along with forward-looking information such as forecasts to inform the assessment, concluding that there was a no further impairment was required (2022: £219,876) to be recognised in these financial statements.

(c) Capitalisation of development costs

Part of the Group's strategic aim is organic growth through expansion of the product range and investment is made in research and development to further this aim. As set out in the accounting policy on page 41 developments costs are recognised as an intangible asset once the criteria for capitalisation is met under IAS 38. In the year £124,290 (2022: £172,745) of costs met the criteria of capitalisation. Judgement is required in assessing the achievement of the criteria, the recoverable amount, including the future economic benefits expected to be generated by the asset, and its useful economic life. The Board reviews these judgements periodically to assess if there are any indicators of impairment.

(d) Impairment of inventory

As disclosed in note 14, an impairment has been made against the carrying value of components, accessories and demonstration inventory. The nature of the inventory requires an assessment of the future sales, the condition of demonstration inventory when returned and residual value should the items not be saleable.

Due to the nature of the inventory, changes in the basis of the estimates for the condition of inventory or residual values applied could have a significant impact on the impairment provided. If the provision were to increase / decrease by 10% the impact on the Group would be £24k (2022: £19k).

(e) Trade receivables

As disclosed in note 15, Trade receivables are initially recognised at invoiced value. Where specific amounts remain outstanding or disputed beyond their agreed settlement date management, having reviewed all commercial documentation, proof of delivery and considered the credit risk of the customer, apply judgement as to the likelihood of the future settlement. This judgement will be influenced by the passage of time, the documentation available and previous experience of collection of past due invoices with that customer and the Group's customer base in general.

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

3. REVENUE

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

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

Information about our product range can be found within the business model set out on inside cover of this report.

All revenue is derived from operations in the United Kingdom.

	2023 £	2022 £
Group revenue by destination		
UK	444,972	394,557
Europe, the Middle East and Africa	1,406,219	622,908
Asia, Indian Subcontinent	721,562	605,458
America	390,181	379,376
	<u>2,962,934</u>	<u>2,002,299</u>
	2023 £	2022 £
Group revenue by type		
Original equipment	2,273,192	1,339,130
After sales	689,742	663,169
	<u>2,962,934</u>	<u>2,002,299</u>
	2023 £	2022 £
Group revenue by timing of transfer of goods		
Point in time (determined by contract)	2,545,777	1,600,697
Over time	417,157	401,602
	<u>2,962,934</u>	<u>2,002,299</u>

The gross profit was £1,435,211(2022: £1,077,919) and the trade is primarily B2B.

During the year to 30 September 2023, sales of £965,026 were made to two customers (the largest - £613,116 and the second largest - £351,910) accounting for 33% of total revenue (2022: sales of £575,257 were made to two customers (the largest customer - £374,123 and the second largest - £201,134) accounting for 29% of total revenue)).

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

	2023 £	2022 £
Contract assets		
At 1 October 2022	52,583	112,589
Transfers from contract assets to trade receivables	(52,583)	(112,589)
Excess of revenue recognised over invoiced amounts	52,428	52,583
At 30 September 2023	52,428	52,583

Contract assets are shown in note 15.

	2023 £	2022 £
Contract liabilities		
At 1 October 2022	388,174	276,013
Contract liabilities recognised as revenue in the year	(295,877)	(155,340)
Deposits received in advance of performance obligations	274,486	267,501
At 30 September 2023	366,783	388,174

Contract liabilities are shown in note 17.

4. OTHER OPERATING INCOME

	2023 £	2022 £
Government grants receivable	14,934	-

5. OPERATING PROFIT/(LOSS)

	2023 £	2022 £
Operating profit/(loss) is stated after charging the following:		
Depreciation of property, plant and equipment	6,690	6,098
Amortisation of right of use asset	39,375	39,375
Amortisation of intangible assets	60,887	29,381
Auditors' remuneration		
Audit – Subsidiary	27,650	40,740
Audit – Company	11,850	17,460
Research and development costs expensed	184,827	218,194
Cost of inventories recognised as an expense (included in cost of sales)	1,158,727	576,379
Foreign exchange losses	7,884	19,691

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

6. INFORMATION REGARDING AND EMPLOYEES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Total employment costs				
Wages and salaries	1,018,380	992,425	270,164	298,528
Social security costs	105,420	120,987	36,553	40,198
Pension costs	47,414	48,129	20,152	18,673
	<u>1,171,213</u>	<u>1,161,541</u>	<u>326,869</u>	<u>357,399</u>
Directors' emoluments				
Management remuneration	224,584	264,005	224,584	264,005
Fees as Directors	45,580	34,523	45,580	34,523
Pension contributions	20,152	18,673	20,152	18,673
	<u>290,316</u>	<u>317,201</u>	<u>290,316</u>	<u>317,201</u>
The amounts paid in respect of the highest paid Director are as follows:				
Emoluments	<u>134,611</u>	<u>119,828</u>	<u>134,611</u>	<u>119,828</u>
	Number	Number	Number	Number
Average number of persons employed (including Directors)				
Accounts and administration	1	2	-	-
Technical	13	14	-	-
Directors	5	5	5	5
	<u>19</u>	<u>21</u>	<u>5</u>	<u>5</u>
Number of Directors accruing benefits under:				
Defined contribution pension scheme	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

Directors' remuneration is detailed within the Directors' Remuneration Report set out on pages 23 to 24.

Related party transactions are disclosed in note 20.

7. NET FINANCE INCOME

	2023	2022
	£	£
Finance income		
Deposit interest	<u>6,639</u>	<u>440</u>

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

8. TAX ON (LOSS)/PROFIT

a) Analysis of credit in the year

	2023 £	2022 £
Current tax		
Current tax on profit/(loss) for the year	27,362	77,998
Total tax credit	<u>27,362</u>	<u>77,998</u>

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

	2023 £	2022 £
Profit/(loss) before tax	123,939	(349,523)
Tax on profit at 22.01% (2022:19%)	27,279	(66,409)
Movement in unprovided deferred tax	(23,035)	21,856
Enhanced R&D relief	(55,760)	(57,768)
Surrender of tax losses for R&D tax credit refund	24,091	24,206
Permanent timing differences	484	117
Other	(421)	-
Actual tax credit for the year (note 8a)	<u>(27,362)</u>	<u>(77,998)</u>

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

c) Deferred Tax Asset

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

	2023 £	2022 £
Capital allowances	-	2,883
Development costs	-	(38,965)
Trading losses	1,443,317	1,455,188
	<u>1,443,317</u>	<u>1,419,106</u>

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

9. EARNINGS PER SHARE

	2023 £	2022 £
Profit/(loss) for the year	123,939	(271,525)
Weighted average number of ordinary shares in issue	136,854,577	136,753,207
Number of diluted shares	136,854,577	136,753,207
Basic profit/(loss) per share	0.09p	(0.20)p
Diluted profit/(loss) per share	0.09p	(0.20)p

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are shares issued under the Company's Enterprise Management Incentive ('EMI') scheme and options issued under the Company's Unapproved scheme. Where the Company is reporting losses, the impact of share options is considered anti-dilutive. Where the Company is reporting profits, share options could potentially dilute basic earnings per share in the future but are only included in the calculation of diluted earnings per share when the exercise price of the share options is below the average share price in the year.

10. INTANGIBLE ASSETS

The Group's intangible assets comprises of software and licences relating to business and accounting systems and assets created from capitalising development expenditure under IAS38.

Group	Business Software £	Development Costs £	Total £
Cost			
At 1 October 2021	56,515	96,096	152,611
Additions	4,600	172,745	177,345
At 30 September 2022	61,115	268,841	329,956
Additions	-	124,290	124,290
At 30 September 2023	61,115	393,131	454,246
Amortisation			
At 1 October 2021	38,391	4,630	43,021
Provided during the year	12,496	16,885	29,381
At 30 September 2022	50,887	21,515	72,402
Provided during the year	7,808	53,079	60,887
At 30 September 2023	58,695	74,594	133,289
Net book value	2,420	318,537	320,957
At 30 September 2023			
At 30 September 2022	10,228	247,326	257,554

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

11. PROPERTY, PLANT AND EQUIPMENT

Group	Computer equipment £	Demonstration equipment £	Plant and equipment £	Total £
Cost				
At 1 October 2021	127,031	76,044	118,765	321,840
Additions	1,862	-	-	1,862
At 30 September 2022	128,893	76,044	118,765	323,702
Additions	-	-	-	-
At 30 September 2023	128,893	76,044	118,765	323,702
Depreciation				
At 1 October 2021	122,391	76,044	105,610	304,045
Provided during the year	466	-	5,632	6,098
At 30 September 2022	122,857	76,044	111,242	310,143
Provided during the year	2,214	-	4,746	6,960
At 30 September 2023	125,071	76,044	115,988	317,103
Net book value				
At 30 September 2023	3,822	-	2,777	6,599
At 30 September 2022	6,036	-	7,523	13,559

12. LEASES

Right of use asset - Property	2023	2022
	£	£
At 1 October 2022	193,053	232,428
Additions	-	-
Amortisation	(39,375)	(39,375)
At 30 September 2023	153,678	193,053
Lease liability - Property		
At 1 October 2022	201,753	232,952
Additions	-	-
Interest charged	5,555	6,426
Lease payments (capital and interest)	(43,000)	(37,625)
At 30 September 2023	164,308	201,753

The maturity of the lease payments is as follows:

	Within one year £	Within 1 – 2 years £	Within 2 – 5 years £	Total £
Lease liability	37,625	37,625	89,058	164,308

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

13. INVESTMENTS

Subsidiary undertakings – Company

	2023 £	2022 £
Cost	51,001	51,001
Capital contribution to subsidiary undertakings	21,376	21,376
Impairment	(51,000)	(51,000)
Balance at 30 September	21,377	21,377

The impairment provision relates solely to Image Scan Limited.

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

Company	Principal activities	Country of incorporation and operations	Ordinary share capital	Investment shares at cost 2023 £	Investment shares at cost 2022 £
Image Scan Limited	Dormant company	England	100%	51,000	51,000
3DX-Ray Limited	Exploitation of advanced imaging technology	England	100%	1	1

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

14. INVENTORIES

	Group		Company	
	2023 £	2022 £	2023 £	2022 £
Raw materials	109,575	255,882	-	-
Work in progress	60,762	192,269	-	-
Finished goods	178,416	180,752	-	-
	348,753	628,903	-	-

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

During the year, the provision against demonstration equipment and other stock was decreased by £54,349 (2022: increased by £4,836) in the Group accounts.

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade receivables	344,851	338,776	-	-
Accrued income on contracts	52,428	52,583	-	-
Other receivables and prepayments	205,916	239,037	41,063	45,228
VAT recoverable	30,675	7,896	3,812	7,961
Amounts due from subsidiary undertakings	-	-	1,395,479	1,335,090
	<u>633,870</u>	<u>638,292</u>	<u>1,440,354</u>	<u>1,388,279</u>

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

At 30 September 2023, the lifetime expected credit loss provision, excluding the specific debt referred to above and using the simplified approach for trade receivables and contract assets is as follows:

	Group	Not yet due	Up to 3 months	3 to 6 months	Over 6 months
Expected loss rate		0.00%	0.10%	0.10%	0.10%
Gross carrying amount	344,851	206,684	60,103	-	78,064
Loss provision	138		60	-	78

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

At 30 September 2023, the lifetime expected credit loss provision for amounts due for group undertakings is as follows:

Company	2023	2022
	£	£
Amounts recoverable from Group undertakings	10,261,325	10,200,936
Expected credit loss brought forward	(8,865,846)	(8,645,970)
Impairment in financial year	-	(219,876)
Expected credit loss carried forward	(8,865,846)	(8,865,846)
At 30 September 2023	<u>1,395,479</u>	<u>1,335,090</u>

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

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

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Cash and cash equivalents	<u>958,465</u>	<u>689,543</u>	<u>8,955</u>	<u>14,072</u>

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.

17. TRADE AND OTHER PAYABLES

	Group		Company	
Amounts falling due within one year	2023	2022	2023	2022
	£	£	£	£
Trade payables	211,534	284,334	6,885	19,046
Contract liabilities	366,783	388,174	-	-
Other tax and social security	29,580	33,455	-	-
Accruals	<u>104,558</u>	<u>87,496</u>	<u>44,640</u>	<u>50,420</u>
	<u>712,455</u>	<u>793,459</u>	<u>51,525</u>	<u>69,466</u>

At 30 September 2023 accruals included pension contributions payable amounting to £nil (2022: £nil).

In line with IFRS 15, a practical expedient has been applied to the closing contract liabilities where the remaining performance obligations are due to be satisfied within the next 12 months. These amount to £354,783 (2022: £377,308) at 30 September 2023.

Sales of extended warranties held as contract liabilities amount to £27,288 (2022: £26,275). The analysis of when the remaining performance obligations will be satisfied is as follows:

	Within one year £	Within 1 – 2 years £	Within 2 – 5 years £	Total £
Extended warranties	<u>15,288</u>	<u>3,000</u>	<u>9,000</u>	<u>27,288</u>

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2023 £	2022 £
Group warranty provision		
At 1 October 2022	37,930	45,640
Provision in year	43,552	41,275
Utilised in the year	(575)	(11,417)
Released during the year	(47,049)	(37,568)
At 30 September 2023	33,858	37,930

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

19. SHARE CAPITAL

	2023 £	2022 £
Authorised		
200,000,000 ordinary shares of 1 pence each	2,000,000	2,000,000
Called up, allotted and fully paid		
136,854,577 (2022: 136,854,577) ordinary shares of 1 pence each	1,368,546	1,368,546

During the year, the company made an issue of nil (2022:500,000) ordinary shares.

The following share options are outstanding at 30 September 2023:

Image Scan Share Option Scheme	Date of issue	Quantity	Exercise price	Fair value	Vesting period	Expiry date
Enterprise Management Incentive	17/09/2014	1,200,000	2p	6,672	3 years	17/09/2024
Unapproved Scheme	11/04/2014	400,000	3.38p	3,398	3 years	11/04/2024
Unapproved Scheme	22/09/2014	400,000	2.5p	2,513	3 years	22/09/2024
Enterprise Management Incentive	22/12/2015	2,150,000	2.25p	9,583	3 years	22/12/2025
Unapproved Scheme	22/12/2015	400,000	2.25p	1,783	3 years	22/12/2025
Enterprise Management Incentive	04/07/2017	910,000	6.25p	4,056	3 years	04/07/2027
Unapproved Scheme	04/07/2017	100,000	6.25p	1,101	3 years	04/07/2027

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Share option movement

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

	2023	WAEP	2022	WAEP
	£		£	
At 1 October 2022	5,580,000	3.03	10,020,000	2.99
Exercised in year	-	-	(500,000)	(2.00)
Options lapsed in year	-	-	(1,000,000)	(2.00)
Options lapsed in year	-	-	(1,500,000)	(3.375)
Options lapsed in year	-	-	(1,000,000)	(2.25)
Options lapsed in year	(20,000)	(6.25)	(440,000)	(6.25)
At 30 September 2023	5,560,000	3.02	5,580,000	3.03

The weighted average remaining contractual life of share options outstanding at the yearend was 1.12 years (2022: 1.69 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

20. TRANSACTIONS WITH RELATED PARTIES

During the year, Image Scan Holdings plc provided management services to the value of £572,877 (2022: £625,449) to its subsidiary company 3DX-Ray Limited.

At the year end the Company was owed the following amounts by subsidiary companies against which an impairment provision of £8,865,846 (2022: £8,865,846) is held:

	2023	2022
	£	£
3DX-Ray Limited	9,374,109	9,313,720
Image Scan Limited	887,217	887,217

Aerosino Technology LLC is considered to be a related party as it is related to Rise Step International Limited, which is itself a substantial shareholder of the Company. Aerosino Corporation Inc provided goods to the value of £8,251 (2022: £407). An amount of £nil (2022: £nil) is due to Aerosino Corporation Inc at the year end.

SK Electronic Solutions Ltd is considered to be a related party by virtue of Sunil Vadgama having a material interest in, and being a director of the Company. SK Electronics Ltd provided consultancy services to the value of £2,121 (2022:£nil).

AVS Partners Limited is considered to be a related party by virtue of William Mawer having a material interest in, and being a director of, the company. AVS Partners Limited provided consultancy services to the value of £nil (2022: £679). An amount of £nil (2022: £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 for the year was £290,316 (2022: £317,201).

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

21. FINANCIAL INSTRUMENTS

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

Financial instruments by category

Financial assets

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Cash and cash equivalents	958,465	689,543	8,955	14,072
Trade and other receivables	443,968	436,828	1,395,479	1,335,090
Accrued income on contracts	52,428	52,583	-	-
	<u>1,454,861</u>	<u>1,178,954</u>	<u>1,404,434</u>	<u>1,349,162</u>

Financial liabilities

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade and other payables	316,092	371,830	51,525	69,466
Lease liability	164,308	201,753	-	-
	<u>480,400</u>	<u>573,583</u>	<u>51,525</u>	<u>69,466</u>

Credit risk

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

The credit risk is primarily attributable to trade receivables. The Group's policy is to operate contracts on a cash positive basis. Payment terms typically require a substantial deposit on placement of the order and a majority of the invoice paid prior to shipment as set out in the Strategic Report on page 5.

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

IMAGE SCAN HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Liquidity risk

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

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

Financial liability profile	2023	2022
	£	£
Due in less than one month	178,384	174,089
Due between one and three months	132,038	123,098
Due between three months and one year	40,295	112,267
Due after one year	129,683	164,129
	480,400	573,583

Currency profile

At 30 September 2023 trade and other receivables included US\$28,988 (2022: US\$28,947) and amounts payable included US\$109,337 and Euro £nil (2022: US\$146,286 and EUR €1,545). All other financial assets and liabilities are denominated in Sterling.

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

Capital management

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

IMAGE SCAN HOLDINGS PLC

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS	Timothy Jackson	Chairman
	Sunil Vadgama	Non Executive Director
	Vincent Deery	Chief Executive Officer
	Sarah Atwell King	Chief Financial Officer

COMPANY SECRETARY Sarah Atwell King

REGISTERED OFFICE 16-18 Hayhill Industrial Estate
Sileby Road
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COMPANY NUMBER 03062983

**NOMINATED ADVISER
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London EC4R 0DR

PRINCIPAL BANKERS Royal Bank of Scotland plc

SOLICITORS Browne Jacobson
44 Castle Gate
Nottingham NG1 7BJ

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

AUDITORS Dains Audit Limited
15 Colmore Row
Birmingham
B3 2BH

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the shareholders will be held at 1.30 p.m. on Wednesday 28 February 2024 at the registered offices of the Company at 16-18 Hayhill Industrial Estate, Barrow upon Soar Leicestershire, LE12 8LD for the purpose of considering and, if thought fit, passing the following resolutions as to Resolutions 1–6 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 2023 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 2023.
3. To re-elect as a Director V J Deery.
4. To re-elect as a Director S A Atwell King.
5. To re-appoint Dains Audit Limited 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 £136,855 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution (whichever is earlier) save that the Directors may, before the expiry of such period, make an offer or agreement which would or might require new ordinary shares to be allotted or Rights to be granted after the expiry of such period, and the Directors of the Company may allot new ordinary shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

Special resolution

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 6 for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - a. in connection with an offer of such securities by way of a Rights Issue; and
 - b. otherwise than pursuant to Resolution 7a above, up to an aggregate nominal amount of £136,855,

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

By order of the Board

Sarah Atwell King

Company Secretary

NOTICE OF MEETING

1. Voting will be by poll only and therefore the Board encourages all members to return their form of proxy in advance of the meeting.
2. Members can attend the Annual General Meeting virtually by registering their details with the Company Secretary in advance of the meeting at CoSec@ish.co.uk. This platform allows members to observe the meeting and to submit questions.
3. To ensure the safety and wellbeing of all attendees and staff on site, members (or their appointed proxy), who attend in person, will be asked to sign in and confirm that they have not experienced any symptoms of COVID-19 in the previous three days.
4. To facilitate entry to the meeting, shareholders are requested to notify the Company Secretary in advance of the meeting CoSec@ish.co.uk and provide suitable evidence of their identity on attendance. Persons who are not shareholders of the Company (or their appointed proxy) will not be admitted to the AGM unless prior arrangements have been made with the Company Secretary.
5. We ask all those present at the AGM to facilitate the orderly conduct of the meeting and reserve the right, if orderly conduct is threatened by a person's behaviour, to require that person to leave.
6. In the eventuality, that Government restrictions prohibit the attendance of the meeting by members, an amendment to the details of this Notice will be notified by means of a Regulatory News Service Announcement.
7. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf.
8. A proxy need not be a member of the Company.
9. Completion and return of a form of proxy does not preclude a member from attending and voting at the meeting in person should he or she so wish.
10. A form of proxy is available on the Company's website, www.ish.co.uk, or by request from the Company Secretary and to be valid must be completed and returned so as to reach the Registrar of the Company, Neville Registrars Ltd, Neville House, Steelpark Road, Halesowen B62 8HD, together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power (written authority) not less than 48 hours (excluding non-working days) before the time fixed for holding the meeting or any adjournment thereof.
11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Neville Registrars Limited ID is 7RA11.
12. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, members who hold shares in uncertificated form must be entered on the Company's register of members at 1.30 p.m. on 26 February 2024 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.