

3DX-RAY LIMITED

Report and Financial Statements

30 September 2009



Wilkins Kennedy
London

REPORT AND FINANCIAL STATEMENTS

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Independent auditors' report	4
Income statement	5
Balance sheet	6
Cash Flow Statement	7
Notes to the financial statements	8
Additional information	19

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

L J George, BSc, FCA, ACIS	Chief Executive Officer
N D Fox, MSc	Chief Technical Officer
V J Deery, BEng	Sales & Marketing Director (appointed 22 December 2008)

COMPANY SECRETARY

L J George, BSc, FCA, ACIS

REGISTERED OFFICE

16-18 Hayhill
Sileby Road
Barrow-upon-Soar
Leicestershire, LE12 8LD

PRINCIPAL BANKERS

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

SOLICITORS

Browne Jacobson
44 Castle Gate
Nottingham NG1 7BJ

AUDITORS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2009

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the company for the year under review was the exploitation of advanced x-ray imaging technology in the field of security and industrial inspection

The results for the year under review show a loss of £516,798 (2008 £281,871) The directors do not recommend the payment of a dividend

Having developed a range of x-ray security and industrial inspection systems, the company is now focused on the commercialisation of those products The sales channels being established rely on a mix of distributors, agents and the company's own sales force In particular the company appointed a regional sales manager for the Middle East and a trading partner in India, in order to exploit the opportunities presented in these territories

KEY PERFORMANCE INDICATORS

Monthly management accounts are prepared for the Board which include key metrics such as order intake, the level of enquiries, conversion rates, turnover, gross profit, working capital, trade and other receivable figures

GOING CONCERN

The directors regularly review the performance of the company against forecasts to ensure that they are able to react on a timely basis to opportunities and issues as they arise Taking this and the fact that the parent company has given support to the company, the directors are of the opinion that the company will remain a going concern for the foreseeable future

Future developments

Work was carried out during the year to develop a second generation FlatScan portable x-ray inspection system and a small vehicle x-ray inspection system The company is intending to be launched these products in 2010

DIRECTORS

The directors are listed on page 1

COMPANY NUMBER

3237543

FINANCIAL INSTRUMENTS

The company's financial instruments during the year comprised trade debtors, bank and cash (or cash equivalents) The main purpose of these instruments is the financing of the company's operations There is little financial risk arising from the company's financial instruments as the company is supported by the parent undertaking

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

Liquidity risk

The company policy to manage liquidity risk is to ensure sufficient cash balances are in place

DIRECTORS' REPORT

FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

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

DIRECTORS' STATEMENT OF RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

Approved and signed by order of the Board



Louise George
Company Secretary

7 December 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3DX-RAY LIMITED

We have audited the financial statements of 3DX-RAY Limited for the year ended 30 September 2009 which comprise the income statement, the balance sheet, the cash flow statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted for use in the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

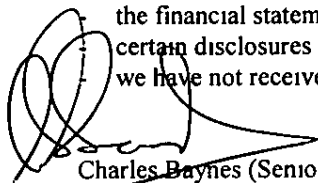
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Charles Baynes (Senior Statutory Auditor)
for and on behalf of Wilkins Kennedy
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London SE1 9QR

7 December 2009

INCOME STATEMENT
Year ended 30 September 2009

	Note	2009 £	2008 £
Continuing Operations			
REVENUE	2	1,444,499	2,004,519
Cost of sales		(751,317)	(1,096,538)
Gross profit		693,182	907,981
Administrative expenses		(1,240,850)	(1,240,079)
OPERATING LOSS	3	(547,668)	(332,098)
Finance income	5	967	3,894
LOSS BEFORE TAXATION		(546,701)	(328,204)
Taxation	6	29,903	46,333
RETAINED LOSS FOR THE FINANCIAL YEAR		(516,798)	(281,871)
Retained earnings brought forward		(5,023,169)	(4,741,298)
Retained earnings carried forward		<u>(5,539,967)</u>	<u>(5,023,169)</u>

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

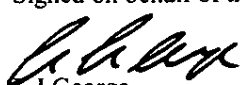
BALANCE SHEET

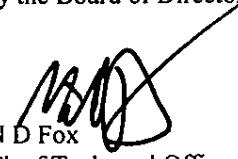
Year ended 30 September 2009

	Note	2009 £	2008 £	
NON-CURRENT ASSETS				
Goodwill	7	-	-	
Property, plant and equipment	8	73,334	140,149	
		<u>73,334</u>	<u>140,149</u>	
CURRENT ASSETS				
Inventories	9	232,592	154,027	
Trade and other receivables	10	201,347	240,815	
Cash and cash equivalents	11	529,021	177,672	
Current tax asset		29,903	46,333	
		<u>992,863</u>	<u>618,847</u>	
TOTAL ASSETS		<u>1,066,197</u>	<u>758,996</u>	
CURRENT LIABILITIES				
Trade and other payables	12	(6,583,363)	(5,746,269)	
Provisions	13	(22,800)	(35,895)	
		<u>(6,606,163)</u>	<u>(5,782,164)</u>	
NET LIABILITIES		<u>(5,539,966)</u>	<u>(5,023,168)</u>	
EQUITY				
Called up share capital	14	1	1	
Retained earnings		(5,539,967)	(5,023,169)	
TOTAL EQUITY		<u>(5,539,966)</u>	<u>(5,023,168)</u>	
STATEMENT OF CHANGES IN EQUITY				
		Share Capital £	Retained Earnings £	Total £
As at 1 October 2007		1	(4,741,298)	(4,741,297)
Loss attributable to members of the group		-	(281,871)	(281,871)
		<u>1</u>	<u>(5,023,169)</u>	<u>(5,023,168)</u>
As at 30 September 2008		1	(5,023,169)	(5,023,168)
Loss attributable to members of the group		-	(516,798)	(516,798)
		<u>1</u>	<u>(5,539,967)</u>	<u>(5,539,966)</u>
As at 30 September 2009		<u>1</u>	<u>(5,539,967)</u>	<u>(5,539,966)</u>

These financial statements were approved by the Board of Directors on 7 December 2009

Signed on behalf of the Board of Directors


L J George
Chief Executive Officer


N D Fox
Chief Technical Officer

CASH FLOW STATEMENT
Year ended 30 September 2009

	Note	2009 £	2008 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(547,668)	(332,098)
Adjustments for			
Depreciation		75,387	77,447
Impairment of goodwill		264,040	-
Release of bad debt provision		(264,038)	-
Profit on sale of property, plant and equipment		-	128
Transfer of inventories to fixed assets		-	(81,392)
(Increase)/decrease in inventories		(78,565)	135,153
Decrease/(increase) in trade and other receivables		39,468	226,827
Increase in trade and other payables		823,997	60,435
Net cash from operating activities		312,621	86,500
Interest paid		-	-
Corporation tax recovered		46,333	66,079
Net cash outflow from operating activities		358,954	152,579
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		967	3,894
Purchase of property plant and equipment	8	(8,572)	(25,681)
Net cash used in investing activities		(7,605)	(21,787)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		177,672	46,880
CASH AND CASH EQUIVALENTS AT END OF YEAR		529,021	177,672

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

1. ACCOUNTING POLICIES

Basis of preparation

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

Taxation

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

Going concern

The balance sheet shows that there are net current liabilities of £5,613,301 (2008: £5,163,317) at 30 September 2009. The directors regularly review the performance of the company against forecasts to ensure that they are able to react on a timely basis to opportunities and issues as they arise. Taking this and the fact that continuing support will be provided by the parent undertaking, Image Scan Holdings plc, the directors are of the opinion that the company will remain a going concern for the foreseeable future. Therefore they have prepared the financial statements on a going-concern basis.

New standards and interpretations

At the date of authorisation of these financial statements, the International Accounting Standards Board ('IASB') and IFRIC have issued the following standards and interpretations with an effective date falling after the date of these financial statements and have not been applied in these financial statements. The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Company.

		Effective for period ended
IFRS 8	Operating Segments	30 September 2010
IFRIC 17	Distributions of Non-cash Assets to Owners	30 September 2010
Revised IFRS 2	Amendment relating to "Vesting Conditions and Cancellations"	30 September 2010
IAS 23	Borrowing Costs (Amendment)	30 September 2010
IAS 1	Presentation of Financial Statements, Comprehensive revision including a "Statement of Comprehensive Income"	30 September 2010
Revised IFRS 3	Business Combinations, Comprehensive revision on applying the Acquisition Method	30 September 2010
IAS 27, IAS 28 & IAS 31	Consequential Amendments Arising from Amendments to IFRS 3	30 September 2010

Leases

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

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2009****1. ACCOUNTING POLICIES (Continued)****Long term contracts**

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

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

Goodwill

Goodwill represents the excess of the fair value of the consideration given to a business over the fair value of the net assets acquired. Goodwill is recognised as an asset and is reviewed for impairment at least annually.

Any impairment identified as a result of the review is charged in the income statement.

Property, plant and equipment

Property, plant and equipment is 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	-	3 years
Demonstration equipment	-	3 years
Plant & office equipment	-	3 years

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

Pension costs

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

Deferred taxation

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

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

1. ACCOUNTING POLICIES (Continued)

Development costs

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

Foreign Currencies

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

Accounting judgements and key sources of estimation uncertainty

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

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

Allowance for doubtful debts

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

Warranty provision

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

2. REVENUE

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

	2009			2008		
	Security £	Industrial £	Total £	Security £	Industrial £	Total £
Group revenue by destination and sector						
UK	57,124	120,552	177,676	315,160	526,283	841,443
US	73,217	28,519	101,736	41,947	280,119	322,066
Rest of World	1,016,199	148,888	1,165,087	813,612	27,398	841,010
	<u>1,146,540</u>	<u>297,959</u>	<u>1,444,499</u>	<u>1,170,719</u>	<u>833,800</u>	<u>2,004,519</u>
Gross profit by sector	<u>571,013</u>	<u>132,522</u>	<u>703,535</u>	<u>533,375</u>	<u>374,606</u>	<u>907,981</u>

3 OPERATING LOSS

	2009 £	2008 £
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	75,387	77,447
Research and development	130,850	211,216
Loss on disposal of property, plant and equipment	-	127
Bad debt provision	(264,038)	4,375
Impairment of goodwill	<u>264,040</u>	<u>-</u>

The audit fee is borne by the parent company

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £	2008 £
Directors emoluments		
Management remuneration	217,697	193,917
Pension contributions	12,850	13,131
Compensation for loss of office	-	39,867
	<u>230,547</u>	<u>246,915</u>

	No	No
Number of directors accruing benefits under		
Defined contribution pension scheme	<u>3</u>	<u>2</u>

	2009 £	2008 £
The amounts paid in respect of the highest paid director are as follows		
Emoluments	78,903	78,875
Pension contributions	7,083	4,744
	<u>85,986</u>	<u>83,619</u>

	No	No
Average number of persons employed (including directors)		
Accounts and administration	3	4
Technical	9	11
Directors	<u>3</u>	<u>3</u>
	<u>15</u>	<u>18</u>

	£	£
Staff costs during the year (including directors)		
Wages and salaries	729,089	816,855
Social security costs	72,532	88,343
Pension costs	28,792	31,487
	<u>830,413</u>	<u>936,685</u>

5. NET FINANCE INCOME

	2009 £	2008 £
Finance income		
Deposit interest	<u>967</u>	<u>3,894</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

6. TAX

a) Analysis of credit in the year	2009	2008
	£	£
Current tax		
UK corporation tax at 20% (2007 19%) based on the profit for the year	29,903	46,333
Overprovision in prior year	-	-
	<u>29,903</u>	<u>46,333</u>
Deferred tax		
Current year charge	-	-
	<u>-</u>	<u>-</u>
Tax credit	<u><u>29,903</u></u>	<u><u>46,333</u></u>
The tax rate changed from 20% to 21% on 1 April 2008, and from 19% to 20% on the 1 April 2007		
b) The tax charge for the year can be reconciled to the loss per the income statement as follows:		
Loss before tax	(546,701)	(328,204)
Tax at the UK corporation tax rate	(109,340)	(65,641)
Being the effects of:		
Permanent differences	632	900
Accelerated capital allowance	1,245	(6,527)
Current year loss not utilised	82,543	32,373
Loss surrendered to HM Revenue & Customs in exchange for R&D tax relief	24,920	38,622
Group relief	-	273
Tax receivable from HM Revenue & Customs	<u>(29,903)</u>	<u>(46,333)</u>
Actual tax credit for the year (note 6a)	<u><u>(29,903)</u></u>	<u><u>(46,333)</u></u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 30 September 2009****7 GOODWILL**

	Total £
Cost	
At 1 October 2007 & 2008	-
Additions	264,040
	<hr/>
At 30 September 2009	264,040
	<hr/>
Aggregate Impairment	
At 1 October 2007 & 2008	-
Impairment on the period	264,040
	<hr/>
At 30 September 2009	264,040
	<hr/>
Carrying amount	
At 30 September 2009	-
	<hr/>
At 30 September 2008	-
	<hr/>

Acquisition of Industrial Scanning Inspection Systems and Mediscan

The company acquired the trade and business of

- Industrial Scanning Inspection Systems Limited for a cost of £1 and its liabilities for £72,990
- Mediscan Limited for a cost of £1 and its liabilities for £191,048

Impairment reviews were performed on the carrying value of goodwill in September 2009. As a result of this group restructuring, an impairment loss of £264,040 was recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

8. PROPERTY, PLANT AND EQUIPMENT

	Assets under Construction £	Computer equipment £	Demonstration equipment £	Plant & equipment £	Total £
Cost					
At 1 October 2007	37,920	72,222	107,657	77,590	295,389
Additions	1,698	14,983	9,000	-	25,681
Disposals	-	(12,917)	(39,079)	(1,651)	(53,647)
Transfer of assets	(39,618)	-	84,628	8,279	53,289
At 30 September 2008	-	74,288	162,206	84,218	320,712
Additions	-	8,572	-	-	8,572
Disposals	-	(11,721)	(430)	(22,283)	(34,434)
At 30 September 2009	-	71,139	161,776	61,935	294,850
Depreciation					
At 1 October 2007	-	44,960	93,197	46,581	184,738
Provided during the year	-	18,632	43,525	15,290	77,447
Disposals	-	(12,790)	(39,079)	(1,650)	(53,519)
Transfer to inventories	-	-	(28,103)	-	(28,103)
At 1 October 2008	-	50,802	69,540	60,221	180,563
Provided during the year	-	15,466	44,853	15,068	75,387
Disposals	-	(11,721)	(430)	(22,283)	(34,434)
At 30 September 2009	-	54,547	113,963	53,006	221,516
Net book value					
At 30 September 2009	-	16,592	47,813	8,929	73,334
At 30 September 2008	-	23,486	92,666	23,997	140,149

9. INVENTORIES

	2009 £	2008 £
Raw materials	122,521	103,363
Work in progress	74,038	14,631
Finished goods	36,033	36,033
	<u>232,592</u>	<u>154,027</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

10. TRADE AND OTHER RECEIVABLES

	2009 £	2008 £
Trade receivables	179,269	124,170
Other receivables and prepayments	19,536	6,570
VAT recoverable	2,542	-
Amounts due from fellow subsidiary undertakings	-	110,075
	<u>201,347</u>	<u>240,815</u>

The above receivables are expected to be recovered within 12 months

11 CASH AND CASH EQUIVALENTS

	2009 £	2008 £
Cash and cash equivalents	<u>529,021</u>	<u>177,672</u>

Cash and cash equivalents comprise cash held by the Company 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.

12. TRADE AND OTHER PAYABLES

	2009 £	2008 £
Trade payables	156,076	110,327
Deferred income	75,271	33,575
Other tax and social security	21,325	27,825
Amount owed to parent company	6,327,026	5,394,820
Amount owed to fellow subsidiary undertakings	-	72,597
Accruals	<u>3,665</u>	<u>107,125</u>
	<u>6,583,363</u>	<u>5,746,269</u>

At 30 September 2009 amounts receivable for the sale of goods included US\$ 8,550 (2008 US\$44,466) and trade payables included US\$ 3,000, EUR 22,858, Swedish Krona 4,200 and South African Rand 19,950 (2008 South African Rand 19,950). All other financial assets and liabilities are denominated in Sterling.

At 30 September 2009 accruals included pension contributions amounting to £7,425 (2008 £4,401).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Provided 2009 £	Not provided 2009 £	Provided 2008 £	Not provided 2008 £
Deferred tax				
Accelerated capital allowances	-	(35,496)	-	(39,897)
Losses	-	(936,162)	-	(762,717)
	<u>-</u>	<u>(971,658)</u>	<u>-</u>	<u>(802,614)</u>
Accelerated capital allowances	-	(971,658)	-	(802,614)

The deferred tax asset is recoverable against profits generated in the future. No allowance has been made for the deferred tax asset as recoverability in the near future is uncertain.

Warranty provision	2009 £
At 1 October	35,895
Charge for the year	(13,095)
	<u>22,800</u>
At 30 September	<u>22,800</u>

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

14 CALLED UP SHARE CAPITAL

	2009 £	2008 £
Called up, allotted and fully paid		
1 ordinary shares of £1	<u>1</u>	<u>1</u>

15. COMMITMENTS

At 30 September 2009 there were no capital commitments (2008: £nil).

16. ULTIMATE PARENT UNDERTAKING

The ultimate parent, for which group accounts are prepared, is Image Scan Holdings plc, a company incorporated in Great Britain and registered in England and Wales. The financial statements of Image Scan Holdings plc, are available from The Registrar of Companies, Companies House, Crown Way, Mandy, Cardiff, CF4 3UZ.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2009

17. RELATED PARTY TRANSACTIONS

During the year the company paid £200,000 (2008 £215,000) to Image Scan plc, the parent company, in respect of management services. At the year end the balance owed to Image Scan plc was £6,327,025 (2008 £5,394,820)

At the year end the company owed £nil (2008 £72,597) to Stereo Scan Systems Limited, a fellow subsidiary of Image Scan plc. In addition the company was owed the following amounts by other fellow subsidiaries of Image Scan plc

	2009 £	2008 £
Industrial Scanning Inspection Systems Ltd	-	13,837
Mediscan Ltd	-	96,238
	<u> </u>	<u> </u>

During the year the company acquired the liabilities and the trade of Industrial Scanning Inspection Systems Limited and Mediscan Limited as described in note 7