

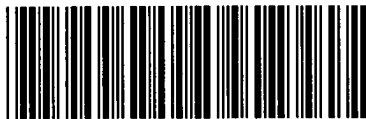
Company Registration No. 03237543 (England and Wales)

3DX-RAY LIMITED

Report and Financial Statements

30 September 2019

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3DX-RAY LIMITED

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3DX-RAY LIMITED

REPORT AND FINANCIAL STATEMENTS OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

William Mawer
Vincent Deery
Sarah Atwell King

Chairman and Chief Executive Officer
Sales and Marketing Director
Financial Director

COMPANY SECRETARY Sarah Atwell King

REGISTERED OFFICE

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

COMPANY NUMBER

03237543

PRINCIPAL BANKERS

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

SOLICITORS

Browne Jacobson
44 Castle Gate
Nottingham NG1 7BJ

AUDITORS

BDO LLP
Statutory Auditor
Chartered Accountants
Regent House
Clinton Avenue
Nottingham NG5 1AZ

3DX-RAY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2019.

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 after tax of £496,386 (2018: loss after tax of £76,597).

The company's strategy is to develop its portfolio of standard security products, whilst continuing to work within the industrial sector where it has key expertise, a proven track record and the probability of repeat business is high.

DIVIDENDS

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

DIRECTORS

The directors who served during the year were as follows:

W R Mawer

V J Deery

S A King (Appointed on 18th November 2018)

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company had in force during the year, and has in force at the date of this report, a qualifying indemnity in favour of its Directors and officers against the financial exposure that they may incur in the course of their professional duties as Directors and officers of the Company and/or its subsidiaries.

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 Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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.

3DX-RAY LIMITED

DIRECTORS' REPORT

AUDITORS

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

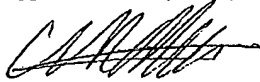
POST BALANCE SHEET EVENTS

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

SMALL COMPANY PROVISIONS

In preparing this report, the directors have taken advantage of the small companies' exemption in Part 15 of the Companies Act 2006.

Approved and signed by order of the Board



William Mawer
Director

2 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 3DX-RAY LTD

OPINION

We have audited the financial statements of 3DX-Ray Limited ("the Company") for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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, or returns adequate for our 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' Statement of Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham, UK
2 December 2019



BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

3DX-RAY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September 2019

	Note	2019 £	As restated 2018 £
REVENUE	3	2,365,202	3,464,910
Cost of sales		<u>(1,086,595)</u>	<u>(1,819,617)</u>
Gross profit		1,278,607	1,645,293
Administrative expenses		<u>(1,781,516)</u>	<u>(1,704,395)</u>
OPERATING LOSS	4	(502,909)	(59,102)
Finance income	6	<u>892</u>	344
LOSS BEFORE TAXATION		(502,017)	(58,758)
Taxation	7	<u>33,939</u>	<u>(17,839)</u>
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		<u>(468,078)</u>	<u>(76,597)</u>

There is no other comprehensive income for 2019 (2018: £nil).

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

3DX-RAY LIMITED

STATEMENT OF FINANCIAL POSITION

Year ended 30 September 2019

	Note	2019 £	2018 £
NON-CURRENT ASSETS			
Intangible Asset	8	25,334	18,877
Property, plant and equipment	9	11,575	15,067
Deferred Tax Asset	10	7,150	37,344
		<u>44,059</u>	<u>71,288</u>
CURRENT ASSETS			
Inventories	11	783,089	938,639
Trade and other receivables	12	601,364	723,113
Cash and cash equivalents	13	604,763	757,236
		<u>1,989,216</u>	<u>2,418,988</u>
TOTAL ASSETS		<u>2,033,275</u>	<u>2,490,276</u>
CURRENT LIABILITIES			
Trade and other payables	14	(9,783,700)	(9,726,172)
Provisions	15	(16,000)	(34,999)
		<u>(9,799,700)</u>	<u>(9,761,171)</u>
NET LIABILITIES		<u>(7,766,425)</u>	<u>(7,270,895)</u>
EQUITY			
Called up share capital	16	1	1
Retained earnings		<u>(7,766,426)</u>	<u>(7,270,896)</u>
TOTAL EQUITY		<u>(7,766,425)</u>	<u>(7,270,895)</u>

These financial statements were approved and authorised for issue by the Board of Directors on 2 December 2019.
Signed on behalf of the Board of Directors.



W Mawer
Director

The accompanying notes form an integral part of these financial statements

3DX-RAY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2019

STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Capital Contribution Reserve £	Retained Earnings £	Total £
As at 30 September 2017	1	16,978	(7,214,054)	(7,197,075)
Loss for the year and total comprehensive income/(expenditure) for the year	-	-	(76,597)	(76,597)
Share Option Reserve	-	2,777	-	2,777
As at 30 September 2018	1	19,755	(7,290,651)	(7,270,895)
Loss for the year and total comprehensive income/(expenditure) for the year	-	-	(468,078)	(468,078)
Share Option Reserve	-	856	-	856
As at 30 September 2019	1	20,611	(7,758,729)	(7,738,117)

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

3DX-RAY LIMITED

CASH FLOW STATEMENT

Year ended 30 September 2019

	Note	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss		(502,909)	(59,102)
Adjustments for:			
Depreciation		13,482	14,763
Impairment of intangible assets		10,458	1,081
Impairment of inventories		13,297	43,602
Decrease in inventories		142,253	112,638
Decrease in trade and other receivables		93,441	757,115
Increase in trade and other payables		57,528	(1,366,585)
Decrease in warranty provision		(18,999)	(12,978)
Share-based payments		856	2,777
Net cash used in operating activities		(190,593)	(506,689)
Corporation tax		64,133	47,628
Net cash used in from operating activities		(126,460)	(459,061)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	892	344
Purchase of intangible assets	8	(16,915)	(19,958)
Purchase of property plant and equipment	9	(9,990)	(2,988)
Net cash used in from investing activities		(26,013)	(22,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in intercompany balances		-	-
Net cash used in financing activities		-	-
		(152,473)	(481,663)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		757,236	1,238,899
CASH AND CASH EQUIVALENTS AT END OF YEAR		604,763	757,236

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

3DX-RAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. GENERAL INFORMATION

3DX-Ray Limited is a private limited company, limited by shares and 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 Company's operations and its principal activities are set out in the Directors 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 Company operates.

2. ACCOUNTING POLICIES

Basis of preparation

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

Going concern

The balance sheet shows that there are net liabilities of £7,738,117 (2018: £7,270,895) at 30 September 2019. In assessing whether the going concern basis is appropriate in the preparation of the financial statements, the directors have prepared Company profit and cash flow forecasts for a period of more than 12 months from the date of the financial statements being approved. In assessing whether the going concern basis is appropriate in the preparation of the financial statements, the directors have prepared Company profit and cash flow forecasts for a period of more than 12 months from the date of the financial statements being approved. 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 been prepared the financial statements on a going-concern basis.

New accounting standards, amendments and interpretations

The Company has adopted the following new standards (effective 1 October 2018) in these financial statements

- **IFRS15 Revenue Recognition**

IFRS 15 sets out a single and comprehensive framework for revenue recognition and replaces IAS 18 Revenue and associated interpretations. The core principle within IFRS15 is that a vendor should recognise revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the vendor expects to be entitled in exchange for those goods or services. Revenue should be recognised by a vendor when or as control over the goods or services is transferred to the customer.

This core principle is in substance consistent with the basis upon which our previous revenue policy was predicated. We have applied the fully retrospective method to transition to IFRS 15 and, having regard to the practical expedients, have assessed that for the current contracts within the Company there is no significant impact on revenue as previously recognised. The new policy is set out below.

3DX-RAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

ACCOUNTING POLICIES (continued)

- **IFRS 9 Financial Instruments**

IFRS 9 addresses the classification and measurement of financial assets and liabilities and replaces IAS 39. Among other things, the standard introduced a forward-looking credit loss impairment model whereby entities need to consider and recognise impairment triggers that might occur in the future (an "expected loss" model).

The Board has applied an expected credit loss impairment model to assess impairment losses on its financial assets measured at amortised cost (such as trade assets) and has determined, based on historic experience, that there is no significant impact on numbers reported in the financial statements for the year ended 30 September 2019 or as at 1 October 2018. Thus, the Company has not been required to restate comparatives on adoption of IFRS 9.

In applying IFRS 9, the Company considered the probability of a default occurring over the contractual life of its trade receivables on initial recognition of those assets. Having looked at the historical losses and having regard to the current and future performance of its counterparties, it has been concluded that any changes to the amounts previously recognised were not material.

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

- **IFRS 16 Leases**

IFRS 16 sets out the principles for recognition, measurement and presentation of leases and will replace IAS 17 Leases.

Adoption of IFRS 16 will result in the Company recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 October 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 30 September 2019 operating lease commitments amounted to £73,000 as disclosed in note 17, and the impact on profit before tax for the Company for the financial year ended 30 September 2019 is not expected to be material and there will be no impact on opening equity at 1 October 2019.

Leases

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

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

SIGNIFICANT ACCOUNTING POLICIES (continued)

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;

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.

Delivery – Point in Time – if there is an element of delivery revenue which is unbundled from the total contract, this is recognised separately to 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 of 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 – under IFRS 15 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 and installation and commissioning. Support is recognised evenly over time as the customer simultaneously receives and consumes the benefits provided by the company's performance, as the company performs it.

Extended warranty – Over Time – it is customary for the company 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 and typically a parts only obligation and revenue is recognised over time of duration of the extended warranty if it is material.

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.

3DX-RAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

ACCOUNTING POLICIES (continued)

Intangible Assets

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	-	3 years
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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	-	3 years
Demonstration equipment	-	3 years
Plant & equipment	-	3 years

Assets under construction are not depreciated until brought into use.

Pension costs

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

Inventories

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

Development costs

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

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.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares, both ordinary and deferred.
- "Capital contribution" represents the share-based payments relating to share options in Image Scan Holdings plc.
- "Retained earnings" include all current and prior year results, as disclosed in the statement of comprehensive income.

3DX-RAY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company'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 impairment of financial assets has been used.

Cash and cash equivalents

The Company 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 Company 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.

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.

Key Judgements

(a) Revenue recognition on contracts.

The Company 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 12. In applying the accounting policy, the Board must determine that all the relevant criteria are met in accordance with IFRS15 Revenue Recognition and the Company'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 £620k (2018: £151k) of deferred income in relation to payments in advance that would be recognised if certain contract terms were altered.

Key Estimates

(a) Impairment of inventory

As disclosed in note 11, 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 application of the accessory items in future sales, the condition of demonstration inventory when returned and residual value should the items not be saleable.

Due to the nature of the inventory, changes in the basis of the estimates for the condition of inventory or residual values applied could have a material impact on the impairment provided but the directors believe that if the full provision was reversed this would have a value of less than £50k.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

3. REVENUE

The Company has only one business sector, being the continuing development of advanced X-ray imaging techniques. The Company has disaggregated revenue into the following tables which is intended to define how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date. This is reviewed by William Mawer 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.

	2019 £	2018 £
Company revenue by destination		
UK	167,279	299,279
Europe, the Middle East and Africa	755,901	943,650
Asia	1,226,423	2,103,419
Americas	215,599	118,562
	<u>2,365,202</u>	<u>3,464,910</u>

	2019 £	2018 £
Company revenue by type		
Original Equipment	1,919,543	2,947,852
After Sales	445,659	517,058
	<u>2,365,202</u>	<u>3,464,910</u>

	2019 £	2018 £
Company revenue by timing of transfer of goods		
Point in time (determined by contract)	2,039,987	3,214,220
Over time	325,215	250,690
	<u>2,365,202</u>	<u>3,464,910</u>

Gross profit against this income was £1,278,607 (FY18: £1,645,293) and trade is primarily B2B.

During the year to 30 September 2019, sales of £1,539,850 were made to three customers (the largest customer - £587,012, second largest customer - £566,860 and the third largest customer - £385,977) accounting for 65% of total revenue (2018: sales of £1,607,167 were made to two customers (the largest customer - £1,187,547 and the second largest - £419,620 accounting for 46% of total revenue)).

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. OPERATING LOSS

	2019	2018
	£	£
Operating loss is stated after charging:		
Depreciation of property, plant and equipment	23,940	15,844
Impairment of intangible assets		
Research and development	408,531	383,187
Operating leases	41,653	38,274
Cost of inventories recognised as an expense (included in cost of sales)	887,366	1,480,922
Exchange rate loss	4,391	(8,286)
	<u>4,391</u>	<u>(8,286)</u>

The audit fee of £17,500 (2018: £15,435) is borne by the parent company. A non-audit fees of £1,170 (2018: £1,850) is borne by the parent company.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments	2019	2018
	£	£
Management remuneration	-	-
Pension contributions	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Number of directors accruing benefits under	No	No
Defined contribution pension scheme	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
The amounts paid in respect of the highest paid director are as follows	£	£
Emoluments	-	-
Pension contributions	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Average number of persons employed (including directors)	No	No
Accounts and administration	2	3
Technical	14	15
Directors	-	-
	<u>16</u>	<u>18</u>
	<u>16</u>	<u>18</u>
	2019	2018
	£	£
Staff costs during the year (including directors)		
Wages and salaries	698,978	720,456
Social security costs	109,844	109,205
Pension costs	28,207	29,764
Share-based payments	856	2,777
	<u>837,885</u>	<u>862,202</u>
	<u>837,885</u>	<u>862,202</u>

All director service contracts are issued by Image Scan Holdings plc and director's salaries are shown in the holding company accounts. A management charge is made from the holding company in respect of these salaries.

Related party transaction are shown in note 19.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

6. NET FINANCE INCOME

	2019 £	2018 £
Finance income		
Deposit interest	892	344
	<u>892</u>	<u>344</u>

7. TAX

a) Analysis of credit in the year

	2019 £	As restated 2018 £
Current tax		
Tax on losses for the year	64,133	47,628
Deferred tax charge for year (note 10)	(30,194)	(65,467)
Total tax	<u>33,939</u>	<u>(17,839)</u>

The deferred tax asset of £7,150 was recognised in the year as Directors considered that the Company will be able to utilise brought forward tax losses against future profits.

The reasons for the difference between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to results for the year are as follows:

b) Reconciliation of tax credit

	2019 £	As restated 2018 £
Loss before tax	(502,016)	(58,758)
Tax at the UK corporation tax rate at 19% (2018: 19%)	(95,383)	(11,164)
Being the effects of:		
Disallowable expenditure	52	946
Other timing differences	4,403	(6,467)
Enhanced R&D relief	(47,499)	(62,945)
Group relief	20,065	-
Surrender of tax losses for R&D tax credit refund	64,133	47,628
Losses carried forward not recognised as deferred tax asset	88,168	14,163
Actual tax credit for the year (note 7a)	<u>33,939</u>	<u>(17,839)</u>

The directors have reassessed the classification of the R&D tax credit and took the decision to reclassify this from other operating income and present this within taxation for the year ended 30 September 2019, including the comparative period. The amount reclassified was £47,628.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

8. INTANGIBLE ASSET

The Company's intangible assets comprises of software and licences relating to business and accounting systems.

	Business Software £	Total £
Cost		
At 1 October 2017	-	-
Additions	19,958	19,958
	<hr/>	<hr/>
At 30 September 2018	19,958	19,958
Additions	16,915	16,915
	<hr/>	<hr/>
At 30 September 2019	36,873	36,873
	<hr/>	<hr/>
Impairment		
At 1 October 2017	-	-
Provided during the year	1,081	1,081
	<hr/>	<hr/>
At 30 September 2018	1,081	1,081
Provided during the year	10,458	10,458
	<hr/>	<hr/>
At 30 September 2019	11,539	11,539
	<hr/>	<hr/>
Net book value		
At 30 September 2019	25,334	25,334
	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2018	18,877	18,877
	<hr/> <hr/>	<hr/> <hr/>

The directors have reassessed the classification of software and licensing and took the decision to reclassify this from property plant and equipment and present this as an intangible asset for the year ended 30 September 2019, including the comparative period.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £	Demonstration equipment £	Plant & equipment £	Total £
As at 30 September 2017	107,224	76,044	102,271	285,539
Additions	2,988	-	-	2,988
As at 30 September 2018	<u>110,212</u>	<u>76,044</u>	<u>102,271</u>	<u>288,527</u>
Additions	9,691	-	299	9,990
As at 30 September 2019	<u>119,903</u>	<u>76,044</u>	<u>102,570</u>	<u>298,517</u>
Depreciation				
At 30 September 2017	83,760	76,044	98,893	258,697
Provided during the year	12,815	-	1,948	14,763
At 30 September 2018	<u>96,575</u>	<u>76,044</u>	<u>100,841</u>	<u>273,460</u>
Provided during the year	11,986	-	1,496	13,482
At 30 September 2019	<u>108,561</u>	<u>76,044</u>	<u>102,337</u>	<u>286,942</u>
Net book value				
At 30 September 2019	<u>11,342</u>	<u>-</u>	<u>233</u>	<u>11,575</u>
At 30 September 2018	<u>13,637</u>	<u>-</u>	<u>1,430</u>	<u>15,067</u>

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. DEFERRED TAX ASSET

The Company has unused tax losses of £5.7m (2018: £5.5m) and other temporary timing differences amounting to £nil (2018: £nil). Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered.

The movement on the deferred tax account is shown below:

Deferred tax	2019 £	2018 £
At 1 October 2018	37,344	102,811
Recognised in the year	(30,194)	(65,467)
At 30 September 2019	7,150	37,344

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

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

11. INVENTORIES

	2019 £	2018 £
Raw materials	439,853	560,846
Work in progress	218,391	255,871
Finished goods	124,845	121,922
	783,089	938,639

There are no significant differences between the replacement costs and the inventories values shown above. During the year, a provision was made against demonstration equipment and other stock of £47,628 (2018: £146,788) in the Company accounts.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Trade receivables	377,772	452,129
Accrued Income on contracts	8,022	17,827
Other receivables and prepayments	229,787	160,305
VAT recoverable	14,091	92,852
	<u>629,672</u>	<u>723,113</u>

At 30 September 2019, the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

	Total	Up to 3 months	3 to 6 months	Over 6 months
Expected loss rate		0.001%	0.001%	0.001%
Gross carrying amount	333,307	333,466	240	-
Loss provision	333	333	-	-

An amount of £44k within Trade Receivables is not considered to be due and will only fall due once the relevant commercial terms are fulfilled.

Loss provision is considered immaterial and therefore has not been provided for. All gross carrying amounts relate to customers with no default history.

13. CASH AND CASH EQUIVALENTS

	2019 £	2018 £
Cash and cash equivalents	<u>604,763</u>	<u>757,236</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.

14. TRADE AND OTHER PAYABLES

	2019 £	2018 £
Trade payables	110,738	494,403
Deferred income	620,233	151,056
Other tax and social security	30,274	29,109
Amount owed to parent company	8,972,288	8,970,343
Accruals	50,167	81,261
	<u>9,783,700</u>	<u>9,726,172</u>

At 30 September 2019 accruals included pension contributions amounting to £nil (2018: £nil).

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

15. PROVISIONS FOR LIABILITIES AND CHARGES

Warranty provision	2019 £	2018 £
At 1 October 2018	34,999	47,977
Provision in year	17,112	41,527
Used in year	(14,768)	(38,516)
Released during the year	(21,343)	(15,989)
At 30 September 2019	16,000	34,999

16. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
1 ordinary shares of £1	1	1

17. COMMITMENTS

At 30 September 2019, the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Land and buildings		
Within one year	38,000	38,000
Between two and five years	35,000	73,000
Over five years	-	-
	73,000	111,000

At 30 September 2019 there were no capital commitments (2018: £nil).

18. 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, Cardiff, CF14 3UZ.

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

19. RELATED PARTY TRANSACTIONS

During the year, Image Scan Holdings plc, the parent company, provided management services to the value of £582,746 (2018: £530,042) to the Company. At the year end the balance owed to Image Scan Holdings plc was £8,972,288 (2018: £9,130,299).

The directors have the authority and responsibility for planning, directing and controlling the activities of the company. Their remuneration is borne by the parent company Image Scan Holdings Plc.

IXO Machinery Equipment (Shanghai) Co Ltd and Aerosino Corporation Inc, are considered to be related parties as they are related to Rise Step International Limited, which is itself a substantial shareholder of the Company. IXO Machinery Equipment (Shanghai) Co Ltd and Aerosino Corporation Inc, provided goods to the value of £13,810 (2018: £22,030) and £13,830 (2018: £31,744) respectively. An amount of £8,791 (2018: £7,774) is due to Aerosino Corporation Inc, and is included in trade payables at the year end.

AVS Partners Limited is considered to be a related party by virtue of William Mawer having a material interest in, and being a director in, the company. AVS Partners Limited provided consultancy services to the value of £1,535 (2018: £3,595). An amount of £378 (2018: £551) is included in trade payables at the year end.

During the year an amount of £7,103 (2018: £nil) was paid to P Mawer in respect of consultancy services provided to the Group. P Mawer is considered to be a related party by virtue of them being classified as an immediate family member of William Mawer. An amount of £nil was due to P Mawer at the end of the year.

20. FINANCIAL INSTRUMENTS

The principal financial assets of the Company are bank balances, trade and other receivables. The main purpose of these financial instruments is to generate sufficient working capital for the Company to continue its operations. The Company'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	2019	2018
	£	£
Cash and cash equivalents	604,763	757,236
Trade and other receivables	498,663	547,992
	<u>1,103,426</u>	<u>1,305,228</u>
 Financial liabilities	 2019	 2018
	£	£
Trade and other payables	9,133,193	9,546,007
	<u>9,133,193</u>	<u>9,546,007</u>

3DX-RAY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

Credit risk

The Company'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 Company's policy is to operate contracts on a cash positive basis. Payment terms typically require a substantial deposit on placement of the order and a majority of the invoice paid prior to shipment.

Liquidity risk

The Company's funding strategy is to generate sufficient working capital to settle liabilities as they fall due. This is supported by loans from the parent company. Liquidity risk is managed through cash flow forecasting to ensure working capital requirements are identified promptly.

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

Financial Liability Profile	2019	2018
	£	£
Due in less than one month	9,025,203	9,307,908
Due between one and three months	64,202	228,215
Due between three months and one year	43,789	9,884
Due after one year	-	-
	9,133,194	9,546,007

Currency profile

At 30 September 2019 amounted owed included US \$nil (2018: \$26,931) and amounts payable included US\$10,800 and Euro 1,722 (2018: US\$295,999 and ZAR 70,796). All other financial assets and liabilities are denominated in Sterling.

Capital management

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