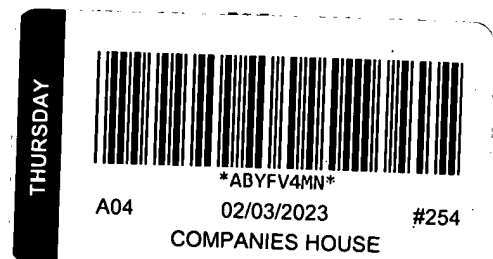


**Company Registration No. 03237543 (England and Wales)**

**3DX-RAY LIMITED**

**Annual Report and Financial Statements**

**30 September 2022**



# **3DX-RAY LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

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# **3DX-RAY LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS** Vincent Deery  
Sarah Atwell King

**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  
Water Court Ground Floor – Suite B  
116-118 Canal Street  
Nottingham  
NG1 7HF

# **3DX-RAY LIMITED**

## **DIRECTORS' REPORT**

**Year ended 30 September 2022**

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2022.

### **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 £356,582 (2021: profit after tax of £124,344).

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 and up to the date of this report were as follows:

W R Mawer (resigned 30 June 2022)

V J Deery

S A Atwell King (appointed 22 February 2022)

### **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.

### **GOING CONCERN**

The balance sheet shows that there are net liabilities of £7,923,725 (2021: £7,567,143) at 30 September 2022 which includes amounts owed to the parent company, Image Scan Holdings Plc, of £9,313,720. The Directors have obtained written confirmation from the parent company that the amount will not be recalled until the business has the means to settle the amount owed.

The Directors have reviewed the going concern assessment for the Company for the year ended 30 September 2022.

As with many businesses engaged in international trade, the Company continues to be impacted by COVID-19, due to both restricted government budgets and local lockdowns/ restrictions.

Based on the Board approved trading and cash flow forecasts, for 2023 and 2024, which anticipate a return to 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 Company'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 Company's performance and underlying causes for incurring a loss in 2022 after two years of profit.
- The Company's financial resources at the time of signing this report, 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 Company's product range to meet the needs of customers.
- The Company'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.

## **3DX-RAY LIMITED**

### **DIRECTORS' REPORT**

**Year ended 30 September 2022**

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 reduction of c.25% of the revenue for the year to 30 September 2022, 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 are satisfied that sufficient mitigating actions have been put in place, as has been demonstrated in 2022, 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.

#### **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 Company's 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 Company and of the profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with 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 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**

**Year ended 30 September 2022**

#### **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 on behalf of the Board

Vince Deery

Vincent Deery  
Director  
12 December 2022

## **3DX-RAY LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

**Year ended 30 September 2022**

#### **Opinion on the 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 2022 and of its loss for the year then ended; and
- have been properly prepared in accordance with UK adopted international financial reporting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of 3DX-RAY Limited ("the Company") for the year ended 30 September 2022 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, 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 UK adopted international accounting standards.

#### **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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

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.

#### **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.

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 Company'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.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, 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.

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.

## **3DX-RAY LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

**Year ended 30 September 2022**

#### **Other Companies Act 2006 reporting**

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.

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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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 design of our procedures is detailed below:

- enquiring of management and the Directors, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:



**INDEPENDENT AUDITOR'S REPORT**

**Year ended 30 September 2022**

- Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - Detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected, or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Obtaining an understanding of the legal and regulatory frameworks applicable to the Company based on our understanding of the business, sector experience and discussions with management. The most significant considerations are UK adopted international financial standards, the Companies Act 2006, corporate taxes, VAT legislation, employment taxes, health and safety along with Ionising Radiation Regulations 2017 and the Bribery Act 2010.
  - discussing amongst the engagement team, to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
    - management override of control; and
    - revenue recognition, specifically the interpretation of the terms of sales contracts and the point at which contractual obligations are satisfied and control is transferred to the customer.

We executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures, together with the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- We made enquiries of management and the Directors and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of board minutes.
- We tested the appropriateness of accounting journals and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered could be indicative of management override.
- We reviewed the Company's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We assessed the appropriateness and tested the application of the revenue recognition policies, with a particular focus on the distinct terms within contracts and the timing of satisfaction of performance obligations.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **3DX-RAY LIMITED**

### **INDEPENDENT AUDITOR'S REPORT**

**Year ended 30 September 2022**

#### **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.

**Andrew Mair (Senior Statutory Auditor)**

For and on behalf of BDO LLP, Statutory Auditor

Nottingham, UK

12 December 2022

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 2022

|   | Note | 2022<br>£               | 2021<br>£          |
|---|------|-------------------------|--------------------|
| <b>REVENUE</b>  | 3    | <b>2,002,299</b>        | 2,873,595          |
| Cost of sales   |      | <u>(924,380)</u>        | <u>(1,359,309)</u> |
| Gross profit  |      | <b>1,077,919</b>        | 1,514,286          |
| Administrative expenses   |      | <u>(1,506,513)</u>      | <u>(1,441,117)</u> |
| <b>OPERATING (LOSS)/PROFIT</b>  | 4    | <b>(428,594)</b>        | 73,169             |
| Finance income  | 6    | <b>440</b>              | 103                |
| Interest payable and similar charges  | 10   | <u>(6,426)</u>          | <u>-</u>           |
| <b>(LOSS)/PROFIT BEFORE TAXATION</b>  |      | <b>(434,580)</b>        | 73,272             |
| Taxation  | 7    | <u><b>77,998</b></u>    | <u>51,072</u>      |
| <b>(LOSS)/PROFIT AND TOTAL<br/>COMPREHENSIVE (LOSS)/INCOME<br/>FOR THE FINANCIAL YEAR</b> |      | <u><b>(356,582)</b></u> | <u>124,344</u>     |

There is no other comprehensive income for 2022 (2021: £nil).

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

# 3DX-RAY LIMITED

## STATEMENT OF FINANCIAL POSITION

Year ended 30 September 2022

|   | Note | 2022<br>£          | 2021<br>£          |
|---|------|--------------------|--------------------|
| <b>NON-CURRENT ASSETS</b>                             |      |                    |                    |
| Intangible assets                                     | 8    | 257,554            | 109,590            |
| Property, plant and equipment                         | 9    | 13,559             | 17,795             |
| Right of use assets                                   | 10   | 193,053            | 232,428            |
|   |      | <u>464,166</u>     | <u>359,813</u>     |
| <b>CURRENT ASSETS</b>                                 |      |                    |                    |
| Inventories   | 11   | 628,903            | 393,074            |
| Trade and other receivables                           | 12   | 585,172            | 700,509            |
| Cash and cash equivalents                             | 13   | 675,471            | 1,162,114          |
|   |      | <u>1,889,546</u>   | <u>2,255,697</u>   |
| <b>TOTAL ASSETS</b>                                   |      | <u>2,353,712</u>   | <u>2,615,510</u>   |
| <b>CURRENT LIABILITIES</b>                            |      |                    |                    |
| Trade and other payables                              | 15   | 10,037,754         | 9,904,061          |
| Provisions  | 16   | 37,930             | 45,640             |
| Lease liability                                       | 10   | 37,625             | 37,625             |
|   |      | <u>10,113,309</u>  | <u>9,987,326</u>   |
| <b>NON-CURRENT LIABILITIES</b>                        |      |                    |                    |
| Lease liability                                       | 10   | 164,128            | 195,327            |
|   |      | <u>164,128</u>     | <u>195,327</u>     |
| <b>TOTAL LIABILITIES</b>                              |      | <u>10,277,437</u>  | <u>10,182,653</u>  |
| <b>NET LIABILITIES</b>                                |      | <u>(7,923,725)</u> | <u>(7,567,143)</u> |
| <b>EQUITY</b>   |      |                    |                    |
| Called up share capital                               | 16   | 1                  | 1                  |
| Profit and loss account                               |      | <u>(7,923,726)</u> | <u>(7,567,144)</u> |
| <b>TOTAL DEFICIT ON EQUITY<br/>SHAREHOLDERS FUNDS</b> |      | <u>(7,923,725)</u> | <u>(7,567,143)</u> |

These financial statements were approved and authorised for issue by the Board of Directors on 12 December 2022 and signed on its behalf by.

Vince Deery  
V Deery  
Director  
Company Number 03237543

The accompanying notes form an integral part of these financial statements

## 3DX-RAY LIMITED

### STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2022

#### STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br>£ | Capital<br>contribution<br>reserve<br>£ | Profit and<br>loss<br>account<br>£ | Total<br>£         |
|--|-----------------------|---|------------------------------------|--------------------|
| As at 30 September 2020  | 1                     | 21,376                                  | (7,712,864)                        | (7,691,487)        |
| Profit for the year and total comprehensive<br>income for the year | -                     | -                                       | 124,344                            | 124,344            |
| Share option reserve   | -                     | -                                       | -                                  | -                  |
|  | <hr/>                 | <hr/>                                   | <hr/>                              | <hr/>              |
| As at 30 September 2021  | 1                     | 21,376                                  | (7,588,520)                        | (7,567,143)        |
| Loss for the year and total comprehensive<br>loss for the year     | -                     | -                                       | (356,582)                          | (356,582)          |
| Share option reserve   | -                     | -                                       | -                                  | -                  |
|  | <hr/>                 | <hr/>                                   | <hr/>                              | <hr/>              |
| <b>As at 30 September 2022</b>                                     | <b>1</b>              | <b>21,376</b>                           | <b>(7,945,102)</b>                 | <b>(7,923,725)</b> |

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

# 3DX-RAY LIMITED

## CASH FLOW STATEMENT

Year ended 30 September 2022

|   | Note | 2022<br>£        | 2021<br>£        |
|---|------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |      |                  |                  |
| Operating (loss)/profit   |      | (428,594)        | 73,169           |
| Adjustments for:  |      |                  |                  |
| Depreciation  |      | 6,098            | 7,689            |
| Amortisation of intangible assets                                 |      | 29,381           | 19,432           |
| Amortisation of right of use assets                               |      | 39,375           | 43,487           |
| Impairment of inventories   |      | (11,263)         | 99               |
| (Increase)/decrease in inventories                                |      | (224,566)        | 57,401           |
| Decrease/(increase) in trade and other receivables                |      | 145,221          | (423,728)        |
| Increase in trade and other payables                              |      | 133,693          | 161,499          |
| (Decrease)/increase in warranty provision                         |      | (7,710)          | 11,890           |
| Lease interest  |      | -                | 4,142            |
| <b>Cash used in operating activities</b>                          |      | <b>(318,365)</b> | <b>(44,920)</b>  |
| Corporation tax received  |      | 48,114           | 51,072           |
| <b>Net cash flows (used in)/generated by operating activities</b> |      | <b>(270,251)</b> | <b>6,152</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |      |                  |                  |
| Interest received   | 6    | 440              | 103              |
| Purchase of intangible assets                                     | 8    | (177,345)        | (111,183)        |
| Purchase of property plant and equipment                          | 9    | (1,862)          | (18,287)         |
| <b>Net cash used in investing activities</b>                      |      | <b>(178,767)</b> | <b>(129,367)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |      |                  |                  |
| Bank loan repayment   |      | -                | (50,000)         |
| Lease payments (capital and interest)                             |      | (37,625)         | (45,963)         |
| <b>Net cash used in financing activities</b>                      |      | <b>(37,625)</b>  | <b>(95,963)</b>  |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>       |      | <b>(486,643)</b> | <b>(219,178)</b> |
| Cash and cash equivalents at beginning of year                    |      | 1,162,114        | 1,381,292        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                   |      | <b>675,471</b>   | <b>1,162,114</b> |

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 2022**

### **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 single entity financial statements have been prepared in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historical cost convention.

#### **Going concern**

The balance sheet shows that there are net liabilities of £7,923,725 (2021: £7,567,143) as at 30 September 2022 which includes amounts owed to the parent company, Image Scan Holdings Plc, of £9,313,720. The Directors have obtained written confirmation from the parent company that the amount will not be recalled until the business has the means to settle the amount owed.

The Directors have reviewed the going concern assessment for the Company for the year ended 30 September 2022.

As with many businesses engaged in international trade, the Company continues to be impacted by COVID-19, due to both restricted government budgets and local lockdowns/ restrictions.

Based on the Board approved trading and cash flow forecasts, for 2023 and 2024, which anticipate a return to 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 Company'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 Company's performance and underlying causes for incurring a loss in 2022 after two years of profit.
- The Company's financial resources at the time of signing this report, 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 Company's product range to meet the needs of customers.
- The Company'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.25% of the revenue for the year to 30 September 2022, 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 are satisfied that sufficient mitigating actions have been put in place, as has been demonstrated in 2022, including alternative sources of supply, should there be any disruption with existing supply chain arrangements.

# **3DX-RAY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

### **ACCOUNTING POLICIES (continued)**

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.

#### **New accounting standards, amendments and interpretations**

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

#### **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 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 the duration of the extended warranty if it is material.



# 3DX-RAY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

### ACCOUNTING POLICIES (continued)

#### 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 | - | 3 years |
|-------------------|---|---------|

##### *Internally generated intangible assets*

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

- it is technically feasible to develop the product 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 Company 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 Company 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 | - | 6 years |
|-------------------|---|---------|

Development costs not satisfying the criteria and expenditure on the research phase of the internal projects are recognised in the 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      | - | 3 years |
| Demonstration equipment | - | 3 years |
| Plant & equipment       | - | 3 years |

Assets under construction are not depreciated until brought into use.

# **3DX-RAY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

### **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 Company'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 Company, 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 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.

### **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.

### **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. Where the net realisable value is estimated to be below cost a provision is recorded.

### **Research and development costs**

Expenditure on research costs is charged to the income statements 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, they are written off in the period that they are incurred.

### **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.
- "Profit and loss account" 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 2022**

**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 estimates and 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 16. 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 £388k (2021: £276k) of contract liabilities in relation to payments in advance that will be recognised when the certain contract terms are met.

**(b) Impairment considerations**

An impairment review was undertaken at Group level and it was concluded that there was sufficient headroom that no impairment was required. Further details of the review undertaken can be found in the financial statements of Image Scan Holdings plc.

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

(c) Capitalisation of development costs

Part of the Company'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 policies, developments costs are recognised as an intangible asset once the criteria for capitalisation is met under IAS 38. In the year £172,745 (2021: £96,096) of costs met the criteria for 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 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 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 Company would be £19k.

(e) Trade receivables

Trade receivables (note 13) 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.

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**3. REVENUE**

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

The Company 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.

All revenue is derived from operations in the United Kingdom.

|   | 2022<br>£        | 2021<br>£        |
|---|------------------|------------------|
| <b>Revenue by destination</b>                 |                  |                  |
| UK  | 394,557          | 419,124          |
| Europe, the Middle East and Africa            | 622,908          | 814,542          |
| Asia, Indian Subcontinent                     | 605,458          | 1,342,622        |
| Americas                                      | 379,376          | 297,307          |
|   | <u>2,002,299</u> | <u>2,873,595</u> |
|   | 2022<br>£        | 2021<br>£        |
| <b>Revenue by type</b>                        |                  |                  |
| Original equipment                            | 1,339,130        | 2,316,334        |
| After sales                                   | 663,169          | 557,261          |
|   | <u>2,002,299</u> | <u>2,873,595</u> |
|   | 2022<br>£        | 2021<br>£        |
| <b>Revenue by timing of transfer of goods</b> |                  |                  |
| Point in time (determined by contract)        | 1,600,697        | 2,484,792        |
| Over time                                     | 401,602          | 388,803          |
|   | <u>2,002,299</u> | <u>2,873,595</u> |

The gross profit was £1,077,919 (2021: £1,514,286) and the trade is primarily B2B.

During the year to 30 September 2022, sales of £575,257 were made to two customers (the largest - £374,123 and the second largest - £201,134) accounting for 29% of total revenue (2021: sales of £1,397,871 were made to two customers (the largest customer - £739,530 and the second largest - £658,341) accounting for 49% of total revenue)).

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

|   | 2022<br>£     | 2021<br>£      |
|---|---------------|----------------|
| <b>Contract assets</b>                              |               |                |
| At 1 October 2021                                   | 112,589       | 3,745          |
| Transfers from contract assets to trade receivables | (112,589)     | (3,745)        |
| Excess of revenue recognised over invoiced amounts  | 52,583        | 112,589        |
| <b>At 30 September 2022</b>                         | <b>52,583</b> | <b>112,589</b> |

Contract assets are shown in note 12.

|  | 2022<br>£      | 2021<br>£      |
|--|----------------|----------------|
| <b>Contract liabilities</b>                              |                |                |
| At 1 October 2021  | 276,013        | 204,640        |
| Contract liabilities recognised as revenue in the period | (155,340)      | (155,697)      |
| Deposits received in advance of performance obligations  | 267,501        | 227,070        |
| <b>At 30 September 2022</b>                              | <b>388,174</b> | <b>276,013</b> |

Contract liabilities are shown in note 14.

**4. OPERATING (LOSS)/PROFIT**

|   | 2022<br>£ | 2021<br>£ |
|---|-----------|-----------|
| <b>Operating (loss)/profit is stated after charging:</b>                    |           |           |
| Depreciation of property, plant and equipment                               | 6,098     | 7,689     |
| Research and development costs expensed                                     | 218,194   | 146,487   |
| Amortisation of right of use assets   | 39,375    | 43,487    |
| Amortisation of intangible assets   | 29,381    | 19,432    |
| Cost of inventories recognised as an expense<br>(included in cost of sales) | 648,632   | 1,136,346 |
| Foreign exchange losses   | 19,691    | 18,608    |

Audit fees of £40,740 (2021: £24,475) are borne by the parent company. Fees relating to non- audit services of £nil (2021: £nil) are also borne by the parent company.

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

|   |                |                |
|---|----------------|----------------|
| <b>Directors' emoluments</b>                                    | <b>2022</b>    | <b>2021</b>    |
|   |                |                |
| <b>Average number of persons employed (including directors)</b> | <b>No</b>      | <b>No</b>      |
| Accounts and administration                                     | 2              | 2              |
| Technical   | 14             | 14             |
| Directors   | 5              | 5              |
|   | <u>21</u>      | <u>21</u>      |
|   |                |                |
|   | <b>2022</b>    | <b>2021</b>    |
|   | <b>£</b>       | <b>£</b>       |
| <b>Staff costs during the year (including directors)</b>        |                |                |
| Wages and salaries  | 695,348        | 718,636        |
| Social security costs   | 120,987        | 116,376        |
| Pension costs   | 29,456         | 27,373         |
| Share-based payments  | -              | -              |
|   | <u>845,791</u> | <u>862,385</u> |

During the year, Government assistance of £nil (2021: £39,266) was received in the form of claims made through the Coronavirus Job Retention Scheme. Total employment costs disclosed above are shown gross of this figure.

**Directors' emoluments**

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 18.

**6. NET FINANCE INCOME**

|                       |             |             |
|-----------------------|-------------|-------------|
|                       | <b>2022</b> | <b>2021</b> |
|                       | <b>£</b>    | <b>£</b>    |
| <b>Finance income</b> |             |             |
| Deposit interest      | 440         | 103         |
|                       | <u>440</u>  | <u>103</u>  |

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**7. TAX**

**a) Analysis of credit in the year**

|   | 2022<br>£     | 2021<br>£     |
|---|---------------|---------------|
| <b>Current tax</b>                                  |               |               |
| Tax on (loss)/profit for the year (R&D tax credits) | 77,998        | 51,072        |
| <b>Total current tax</b>                            | <u>77,998</u> | <u>51,072</u> |

**b) Reconciliation of tax credit**

|   | 2022<br>£       | Restated<br>2021<br>£ |
|---|-----------------|-----------------------|
| (Loss)/profit before tax                          | (434,580)       | 73,272                |
| Tax on profit at 19% (2021:19%)                   | (82,570)        | 13,922                |
| Movement in unprovided deferred tax               | 38,017          | (21,096)              |
| Enhanced R&D relief                               | (57,768)        | (55,611)              |
| Surrender of tax losses for R&D tax credit refund | 24,206          | 14,870                |
| Permanent timing differences                      | 117             | -                     |
| Adjustment in respect of prior year               | -               | (3,157)               |
| <b>Actual tax credit for the year (note 7a)</b>   | <u>(77,998)</u> | <u>(51,072)</u>       |

The restatement of the reconciliation of the tax charge corrects errors in the amounts presented as reconciling items in the prior year. The previous disclosure reconciled a tax charge of £13,922 (based on the profit of £73,272) to a tax charge of £51,072 whereas the actual number was a tax credit of £51,072. This correction of this error has no impact on the primary statements.

The increase in UK Corporation Tax from 19% to 25% will be effective from 1<sup>st</sup> 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.

|                          | 2022<br>£        | 2021<br>£        |
|--------------------------|------------------|------------------|
| Capital allowances       | 2,883            | 741              |
| Development costs        | (38,965)         | (22,867)         |
| Other timing differences | -                | (1,875)          |
| Trading losses           | 1,455,188        | 1,387,734        |
|                          | <u>1,419,106</u> | <u>1,363,733</u> |



**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**8. INTANGIBLE ASSET**

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

|                             | <b>Business<br/>Software<br/>£</b> | <b>Development<br/>Costs<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------------|------------------------------------|------------------------------------|--------------------|
| <b>Cost</b>                 |                                    |                                    |                    |
| At 1 October 2020           | 41,428                             | -                                  | 41,428             |
| Additions                   | 15,087                             | 96,096                             | 111,183            |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| At 30 September 2021        | 56,515                             | 96,096                             | 152,611            |
| Additions                   | 4,600                              | 172,745                            | 177,345            |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| <b>At 30 September 2022</b> | <b>61,115</b>                      | <b>268,841</b>                     | <b>329,956</b>     |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| <b>Amortisation</b>         |                                    |                                    |                    |
| At 1 October 2020           | 23,589                             | -                                  | 23,589             |
| Provided during the year    | 14,802                             | 4,630                              | 19,432             |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| <b>At 30 September 2021</b> | <b>38,391</b>                      | <b>4,630</b>                       | <b>43,021</b>      |
| Provided during the year    | <b>12,496</b>                      | <b>16,885</b>                      | <b>29,381</b>      |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| <b>At 30 September 2022</b> | <b>50,887</b>                      | <b>21,515</b>                      | <b>72,402</b>      |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| <b>Net book value</b>       |                                    |                                    |                    |
| <b>At 30 September 2022</b> | <b>10,228</b>                      | <b>247,326</b>                     | <b>257,554</b>     |
|                             | <hr/>                              | <hr/>                              | <hr/>              |
| At 30 September 2021        | 18,124                             | 91,466                             | 109,590            |
|                             | <hr/>                              | <hr/>                              | <hr/>              |

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**9. PROPERTY, PLANT AND EQUIPMENT**

|                             | <b>Computer<br/>equipment<br/>£</b> | <b>Demonstration<br/>equipment<br/>£</b> | <b>Plant and<br/>equipment<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------------|-------------------------------------|--|--------------------------------------|--------------------|
| <b>Cost</b>                 |                                     |  |                                      |                    |
| At 1 October 2020           | 121,714                             | 76,044                                   | 105,795                              | 303,553            |
| Additions                   | 5,317                               | -  | 12,970                               | 18,287             |
| <b>At 30 September 2021</b> | <b>127,031</b>                      | <b>76,044</b>                            | <b>118,765</b>                       | <b>321,840</b>     |
| Additions                   | 1,862                               | -  | -                                    | 1,862              |
| <b>At 30 September 2022</b> | <b>128,893</b>                      | <b>76,044</b>                            | <b>118,765</b>                       | <b>323,702</b>     |
| <b>Depreciation</b>         |                                     |  |                                      |                    |
| At 1 October 2020           | 117,024                             | 76,044                                   | 103,288                              | 296,356            |
| Provided during the year    | 5,367                               | -  | 2,322                                | 7,689              |
| <b>At 30 September 2021</b> | <b>122,391</b>                      | <b>76,044</b>                            | <b>105,610</b>                       | <b>304,045</b>     |
| Provided during the year    | 466                                 | -  | 5,632                                | 6,098              |
| <b>At 30 September 2022</b> | <b>122,857</b>                      | <b>76,044</b>                            | <b>111,242</b>                       | <b>310,143</b>     |
| <b>Net book value</b>       |                                     |  |                                      |                    |
| <b>At 30 September 2022</b> | <b>6,036</b>                        | <b>-</b>                                 | <b>7,523</b>                         | <b>13,559</b>      |
| <b>At 30 September 2021</b> | <b>4,640</b>                        | <b>-</b>                                 | <b>13,155</b>                        | <b>17,795</b>      |

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**10. LEASES**

| <b>Right of Use Asset - Property</b>  | <b>2022</b>     | <b>2021</b>    |
|---------------------------------------|-----------------|----------------|
|                                       | <b>£</b>        | <b>£</b>       |
| At 1 October 2021                     | <b>232,428</b>  | 39,664         |
| Additions                             | -               | 236,251        |
| Amortisation                          | <b>(39,375)</b> | (43,487)       |
| <b>At 30 September 2022</b>           | <b>193,053</b>  | <b>232,428</b> |
| <b>Lease Liability</b>                |                 |                |
| At 1 October 2021                     | <b>232,952</b>  | 38,522         |
| Additions                             | -               | 236,251        |
| Interest accruing                     | <b>6,426</b>    | 4,142          |
| Lease payments (capital and interest) | <b>(37,625)</b> | (45,963)       |
| <b>At 30 September 2022</b>           | <b>201,753</b>  | <b>232,952</b> |

The maturity of the lease liability is as follows:

|                 | <b>Within one<br/>year<br/>£</b> | <b>Within 1 – 2<br/>years<br/>£</b> | <b>Within 2 –<br/>5 years<br/>£</b> | <b>Total<br/>£</b> |
|-----------------|----------------------------------|-------------------------------------|-------------------------------------|--------------------|
| Lease liability | <b>37,625</b>                    | <b>37,625</b>                       | <b>126,503</b>                      | <b>201,753</b>     |

**11. INVENTORIES**

|                  | <b>2022</b>    | <b>2021</b>    |
|------------------|----------------|----------------|
|                  | <b>£</b>       | <b>£</b>       |
| Raw materials    | <b>255,882</b> | 162,894        |
| Work in progress | <b>192,269</b> | 158,498        |
| Finished goods   | <b>180,752</b> | 71,682         |
|                  | <b>628,903</b> | <b>393,074</b> |

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 £11,263 (2021: increased by £99) in the Company's accounts.

**3DX-RAY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**12. TRADE AND OTHER RECEIVABLES**

|                                   | 2022<br>£      | 2021<br>£      |
|-----------------------------------|----------------|----------------|
| Trade receivables                 | 338,776        | 455,508        |
| Accrued income on contracts       | 52,583         | 112,589        |
| Other receivables and prepayments | 193,813        | 132,412        |
| VAT recoverable                   | -              | -              |
|                                   | <u>585,172</u> | <u>700,509</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 2022, the lifetime expected credit loss provision for trade receivables and contract assets is as follows:

|                       | Total   | Net yet due | Up to 3<br>months | 3 to 6<br>months | Over 6<br>months |
|-----------------------|---------|-------------|-------------------|------------------|------------------|
| Expected loss rate    |         | 0.0%        | 0.10%             | 0.10%            | 0.10%            |
| Gross carrying amount | 338,776 | 156,671     | 163,452           | 3,040            | 15,613           |
| Loss provision        | 182     | -           | 163               | 3                | 16               |

The 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**

|                           | 2022<br>£      | 2021<br>£        |
|---------------------------|----------------|------------------|
| Cash and cash equivalents | <u>675,471</u> | <u>1,162,114</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**

|                               | 2022<br>£ | 2021<br>£ |
|-------------------------------|-----------|-----------|
| Trade payables                | 265,265   | 248,920   |
| Contract liabilities          | 388,174   | 276,013   |
| Other tax and social security | 33,455    | 28,743    |
| Amount owed to parent company | 9,313,720 | 9,208,894 |
| Accruals                      | 37,076    | 133,338   |
| VAT payable                   | 64        | 8,153     |

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|                   |                  |
|-------------------|------------------|
| <b>10,037,754</b> | <b>9,904,061</b> |
|-------------------|------------------|

At 30 September 2022 accruals included pension contributions amounting to £nil (2021: £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 £377,308 (2021: £246,962) at 30 September 2022.

Sales of extended warranties held as contract liabilities amounts to £26,275 (2021: £34,435). The analysis of when the remaining performance obligations will be satisfied is as follows:

|                     | <b>within 1<br/>year<br/>£</b> | <b>1 to 2 years<br/>£</b> | <b>2 to 5 years<br/>£</b> | <b>Total<br/>£</b> |
|---------------------|--------------------------------|---------------------------|---------------------------|--------------------|
| Extended warranties | <u>12,987</u>                  | <u>13,288</u>             | <u>-</u>                  | <u>26,275</u>      |

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

|                                   | <b>2022<br/>£</b>    | <b>2021<br/>£</b> |
|-----------------------------------|----------------------|-------------------|
| <b>Company warranty provision</b> |                      |                   |
| At 1 October 2021                 | <b>45,640</b>        | 33,750            |
| Provision in year                 | <b>41,275</b>        | 51,492            |
| Utilised in the year              | <b>(11,417)</b>      | (23,212)          |
| Released during the year          | <b>(37,568)</b>      | (16,390)          |
| <b>At 30 September 2022</b>       | <u><b>37,930</b></u> | <u>45,640</u>     |

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.

**16. CALLED UP SHARE CAPITAL**

|   | <b>2022<br/>£</b>   | <b>2021<br/>£</b> |
|---|---------------------|-------------------|
| <b>Authorised</b>                         |                     |                   |
| 1,000 ordinary shares of £1 each          | <u><b>1,000</b></u> | <u>1,000</u>      |
| <b>Called up, allotted and fully paid</b> |                     |                   |
| 1 ordinary shares of £1                   | <u><b>1</b></u>     | <u>1</u>          |

**17. 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.

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**18. RELATED PARTY TRANSACTIONS**

During the year, Image Scan Holdings plc, the parent company, provided management services to the value of £625,449 (2021: £664,361) to the Company.

At the year end, the balance owed to Image Scan Holdings plc was £9,313,720 (2021: £9,208,894).

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 £nil (2021: £nil) and £407 (2021: £564) respectively. An amount of £nil (2021: £nil) is due to Aerosino Corporation Inc 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 of, the company. AVS Partners Limited provided consultancy services to the value of £679 (2021: £1,138). An amount of £nil (2021: £149) 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 company. Their remuneration is borne by the parent company, Image Scan Holdings Plc.

**19. 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.

| <b>Financial assets</b>           | <b>2022</b>      | <b>2021</b>      |
|-----------------------------------|------------------|------------------|
|                                   | <b>£</b>         | <b>£</b>         |
| Cash and cash equivalents         | 675,471          | 1,162,114        |
| Trade and other receivables       | 436,828          | 598,226          |
| Accrued income on contract assets | 52,583           | 112,589          |
|                                   | <b>1,164,882</b> | <b>1,872,929</b> |
| <b>Financial liabilities</b>      | <b>2022</b>      | <b>2021</b>      |
|                                   | <b>£</b>         | <b>£</b>         |
| Trade and other payables          | 9,616,061        | 9,591,152        |
| Lease liability                   | 201,753          | 232,952          |
|                                   | <b>9,817,814</b> | <b>9,824,104</b> |

*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.

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*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:

| <b>Financial liability profile</b>    | <b>2022</b>      | <b>2021</b>      |
|---------------------------------------|------------------|------------------|
|                                       | <b>£</b>         | <b>£</b>         |
| Due in less than one month            | <b>9,261,412</b> | 9,345,368        |
| Due between one and three months      | <b>109,972</b>   | 146,509          |
| Due between three months and one year | <b>80,549</b>    | 136,900          |
| Due after one year                    | <b>164,128</b>   | 195,327          |
|                                       | <b>9,616,061</b> | <b>9,824,104</b> |

**Currency profile**

At 30 September 2022 trade and other receivables included US\$28,947 (2021: US\$114,826 and amounts payable included US\$146,286 and Euro 1,545 (2021: US\$187,385 and EUR nil). All other financial assets and liabilities are denominated in Sterling.

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

**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.