

# DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

## BUSINESS ACTIVITY, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The principal activities of the Group have been the continuing development of three-dimensional imaging technology. Further details can be found in the Chairman's Statement and the Review of Operations set out in pages 1 to 6. The Company acts as a holding company.

## RESULTS AND DIVIDENDS

The results for the year ended 30 September 2002 show a loss of £602,859 (2001: £523,592). The directors do not recommend the payment of a dividend.

## DIRECTORS

The present directors are listed on page 7.

### DIRECTORS' INTERESTS

The directors' interests, all of which were beneficial, in the shares of the Company at the year end were as follows:

	30 September 2002 ordinary shares of 1p each	30 September 2001 ordinary shares of 1p each
N J Tipple	-	-
N D Fox	2,272,335	2,270,835
S X Godber	-	-
I S S Johnson	-	-
I M Robertson	5,166	5,000
R J Gibbs (appointed 25 April 2002)	-	-
R Savage	2,066	2,000

The following existing options had been granted at the start of the year:

**N J Tipple** - 100,000 ordinary shares of 1p each at a price of 50p per share exercisable at any time up to 20 September 2004.

**S X Godber** - Under the Image Scan 1999 Approved Share Option Scheme, on 4 May 2000, 50,000 ordinary shares of 1p each at a price of 25p per share; and on 30 April 2001, 10,000 ordinary shares of 1p each at a price of 50p per share. In both cases the options are exercisable at any time after three years but no later than ten years from the date of grant.

**I M Robertson** - 20,000 ordinary shares of 1p each at a price of 50p per share exercisable at any time up to 20 September 2004.

**R Savage** - 25,000 ordinary shares of 1p each at a price of 50p per share exercisable at any time up to 1 August 2004.

The following share options were granted during the year:

**I S S Johnson** - 45,455 ordinary shares of 1p each at a price of 55p per share exercisable at any time up to 22 January 2005.

**I M Robertson** - 45,455 ordinary shares of 1p each at a price of 55p per share exercisable at any time up to 22 January 2005.

**R J Gibbs** - 76,923 ordinary shares of 1p each at a price of 65p per share exercisable at any time up to 25 April 2005.

There have been no movements in the holdings of directors since the financial year end and no directors exercised share options, nor had any options lapsed, during the year. The share price high and low during the period since listing on 25 April 2002 were 75.5p and 60.5p per share respectively. The closing mid-market price was 62.5p per share.

**SUBSTANTIAL SHAREHOLDINGS**

At the date of this report the following substantial shareholdings have been notified to the Company:

	%	Ordinary shares of 1p each
Professor M Robinson	15.8	2,560,000
Gresham House plc	11.1	1,808,333
Welsh Industrial Investment Trust plc	6.4	1,033,333
3PC Investment Trust plc	5.8	939,394
AiM VCT 2 plc	5.8	939,394
Newinnhall Trust Limited	5.1	826,666
Gresham House No 1 Pension Scheme	4.8	775,000
A P Stirling	5.1	826,666

**SHARE TRANSACTIONS**

During the year, the company issued 3,049,038 ordinary shares of 1p each. Full details of these issues are given in note 16 to the accounts.

**RESEARCH AND DEVELOPMENT**

The Group continues to be focused on research and development, with considerable technical staff effort focussed on such activities. Costs of this in the year amounted to £117,654 (2001: £69,612).

**FIXED ASSETS**

The intangible assets as detailed in note 9 are included at a net book value of £192,460 (2001: £265,014). The directors believe the intellectual property rights are worth considerably in excess of this amount.

The movement in investments during the year is detailed in note 10 to the accounts.

**PAYMENT POLICY**

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction and then to abide by these terms. At 30 September 2002 trade creditors represented 38 days purchases (2001: 63 days).

## DIRECTORS' REPORT CONTINUED

### FINANCIAL INSTRUMENTS

The Group's financial instruments during the year comprised bank loans, overdraft and cash (or cash equivalents). The main purpose of these instruments is the financing of the Group's operations.

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

#### Interest rate risk

The Group finances its operations by a mixture of proceeds from new share capital and external borrowings. Bank borrowings are denominated in sterling and bear interest at floating rates.

#### Liquidity risk

The Group policy to manage liquidity risk is to ensure sufficient overdraft and loan facilities are in place.

#### Foreign currency risk

The Group makes both sales and purchases in US dollars. The foreign currency exchange risk is managed by netting these payments and receipts through a US dollar bank account.

### DIRECTORS' STATEMENT OF RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### GOING CONCERN

The directors have acknowledged the latest guidance on going concern and, after making appropriate enquiries, have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### AUDITORS

Deloitte & Touche were appointed during the period and have expressed their willingness to continue in office as auditors. A resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



L J GEORGE  
Company Secretary

16 December 2002