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If you have sold or transferred all of your Ordinary Shares in Image Scan Holdings plc, please send this document together with the Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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Image Scan Holdings plc

(Registered in England and Wales with company number 3062983)

Notice of Extraordinary General Meeting concerning a proposed Placing of up to 4,500,000 Ordinary Shares at 35p per Ordinary Share

Nominated adviser and broker

Durlacher Limited

A letter from the Chairman of Image Scan Holdings plc is set out in this document.

Notice of an Extraordinary General Meeting of Image Scan Holdings plc to be held at the offices of Stallard Solicitors, Centurion House, 37 Jewry Street, London EC3N 2ER at 10 a.m. on 29th October 2003 is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed with this document and should be completed, signed and returned in accordance with the instructions thereon, as soon as possible but, in any event, so as to be received by the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA by no later than 10.00 a.m. on 27th October 2003 (or 48 hours before any adjournment of the Extraordinary General Meeting).

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Expected timetable of events

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 27th October 2003
Extraordinary General Meeting	10.00 a.m. on 29th October 2003
Admission to trading on AIM of the Placing Shares	8.00 a.m. on 31st October 2003

Placing statistics

Maximum number of Ordinary Shares being placed	4,500,000
Placing Price per Ordinary Share	35p
Maximum number of Ordinary Shares being placed as a percentage of the Enlarged Issued Share Capital	21.7 per cent.
Maximum number of Ordinary Shares in issue immediately after the Placing	20,750,203
Market capitalisation at the Placing Price ⁽¹⁾	£7,262,571
Gross proceeds of the Placing ⁽¹⁾	£1,575,000

(1) Assuming full subscription under the Placing

Definitions

“Act”	the Companies Act 1985, as amended;
“AIM”	the Alternative Investment Market of the London Stock Exchange plc;
“AIM Rules”	the rules of AIM published by the London Stock Exchange plc;
“Board” or “Directors”	the Board of Directors of Image Scan;
“Durlacher”	Durlacher Limited;
“Enlarged Issued Share Capital”	the entire issued share capital of the Company following completion of the Placing;
“Image Scan” or the “Company”	Image Scan Holdings plc;
“Extraordinary General Meeting” or “EGM”	the Extraordinary General Meeting of the Company to be convened at 10.00 a.m. on 29th October 2003, notice of which is set out at the end of this document;
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the EGM;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company;
“Placing”	the conditional placing by the Company of the Placing Shares pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 1st October 2003 between the Company, Durlacher and the Directors relating to the Placing;
“Placing Price”	35p per Placing Share;
“Placing Shares”	the 4,500,000 new Ordinary Shares to be issued pursuant to the Placing;
“Resolution”	the special resolution to be proposed at the EGM, details of which are set out on pages 8-9 of this document;
“Shareholders”	holders of Ordinary Shares; and
“Share Option Schemes”	the three Image Scan share option schemes currently in existence, namely: <ul style="list-style-type: none">• Image Scan Enterprise Management Incentives Share Option Plan• Image Scan Holdings plc Unauthorised Share Option Scheme• The Image Scan 1999 Approved Share Option Scheme

Letter from the Chairman

Image Scan Holdings Plc

(Registered in England and Wales with company number 3062983)

Directors:

Nigel Tipple (Chairman)
Nicholas Fox (Chief Executive)
Ray Gibbs (Finance Director)
Simon Godber (Technical Director)
Ian Johnson (Non-Executive Director)

Registered Office:

Pera Innovation Park
Nottingham Road
Melton Mowbray
Leicestershire
LE13 0PB

1st October 2003

To Shareholders and, for information only, to participants in the Share Option Schemes

Dear Shareholder,

1. Introduction

It was announced earlier today that your board intends to carry out a Placing of up to 4,500,000 Ordinary Shares with investors to raise up to £1,575,000 before expenses. The Placing is conditional upon the passing of the Resolution to be proposed at an Extraordinary General Meeting of the Company which has been called for 10.00 a.m. on 29th October 2003 at the offices of Stallard Solicitors, Centurion House, 37 Jewry Street, London EC3N 2ER.

The purpose of this document is to inform Shareholders of the nature and purpose of the Placing and to recommend that you vote in favour of the Resolution to be proposed at the EGM, which is necessary to give effect to the Placing.

2. Requirement for Shareholders' approval

As the Placing will involve the issue of a maximum of 4,500,000 Ordinary Shares this necessitates an increase in the Company's authorised share capital and an extension of the Directors' current authority to allot shares on a non pre-emptive basis. Accordingly, the Directors have convened an Extraordinary General Meeting to be held at 10.00 a.m. on 29th October 2003.

3. Reasons for the Placing

The Placing proceeds will be used to provide additional funds to further develop the Company's business and, in particular, to provide sufficient working capital to enable the Company within a 12 month timeframe to:

- Establish an infrastructure to manage delivery of the Company's current and future strategic agreements in the aviation security sector
- Create a focused marketing function within the Company to specifically address:
 - Development of sales for security equipment into non-aviation security markets
 - Establish key industrial reference sites for DEX, VIXion and AXIS-3D® products
- Accelerate on-going enhancements to the Company's IP portfolio

Further information on the Company's progress to date is set out below and also in the Chairman's statement contained in the unaudited interim results for the six month period ended 31st March 2003 announced on the 4th June 2003 and posted to shareholders on 11th June 2003. Copies of the unaudited interim results are available from the Company's offices at Pera Innovation Park, Melton Mowbray, Leicestershire LE13 0PB.

4. The Placing

The Company proposes to raise up to £1,575,000 (before expenses) by way of the issue of the Placing Shares at 35p per share.

The Directors have elected not to make the Placing available to existing shareholders on a pre-emptive basis as they believe that the Placing will represent an opportunity for the Company to broaden and institutionalise its shareholder base and therefore, potentially, to increase the liquidity of the Company's shares and its public profile.

As agent for the Company, Durlacher has agreed, pursuant to the Placing Agreement, to use its reasonable endeavours to place all of the Placing Shares with institutional and other investors. The Placing Agreement is conditional, *inter alia*, on the Resolution being passed at the EGM and on admission to trading on AIM of the Placing Shares.

The Placing Shares will rank *pari passu* in all respects with existing Ordinary Shares.

5. Recent developments/current trading

There have been a number of changes to the Group's operating and trading position since it published unaudited interim results for the six months ended 31st March 2003, principally these are:

SECURITY

- The BAA and Department for Transport sponsored trial at Heathrow Terminal 1 has taken longer than originally anticipated. Whilst initial feedback has been positive, in the last six months the standard AXIS-3D® machine has been improved and upgraded from the unit supplied to BAA for the trial. Consequently it has been agreed that to provide a more appropriate and meaningful technical evaluation, in the near future a focused trial using a production version of the AXIS-3D® machine will be conducted at a designated airport.
- Over the last six months we have completed product engineering of the 3DX-Camera™ for incorporation in the AXIS-3D® unit. The system has passed relevant regulatory compliance tests and is now ready for market launch. In conjunction with Rapiscan, the product's formal introduction to the market will be at the aviation security's premier annual event, AvSec, to be held on 18th-20th November in Athens. In addition, Rapiscan have commissioned two AXIS-3D® units for promotion in the Middle East and Australasia. The Board believes that Rapiscan is expecting this effort to translate into orders by the half-year.
- Following pre-launch marketing, the first commercial sales of the AXIS-3D® product have been closed by our alliance partner Rapiscan to their agents in the CIS and Romania. Both units are undergoing brief customer evaluation before confirmation of ongoing orders. These sales have established a benchmark market price for the machine that provides us with a satisfactory margin. In addition the product has been sold and installed in a vehicle for use by the UK's Police Scientific Detection Branch ("PSDB"). The PSDB is pleased with the product and is currently using it to screen articles being taken into party political conferences. The intention is for Rapiscan to promote this product to the security sector worldwide.
- We have reported previously that the development of the EU version of 3D threat image projection ("3DTIP") was being developed with a view for introduction in Europe. This project is continuing and expected to be ready for EU type approval by the end of this calendar year. We expect a successful outcome in the New Year which will ensure that the AXIS-3D® product will be TIP compliant comfortably in advance of anticipated EU and USA mandatory compliance.
- In respect of non-aviation security, we are in discussion with a leading UK corporation to provide 3D screening capability as part of its security cover for its Head Office. This is expected to create a high-profile reference site for on-going promotion of our technology in the corporate sector. This we see as a very relevant market for our screening product, especially where operatives are often subject to less formal training and less constant exposure than in the aviation security sector.

INDUSTRIAL

- The industrial product DEX™ will be officially launched at the VISION 2003 exhibition in Stuttgart on 21st-23rd October. Market reaction and feedback to this innovative product will allow us to focus on the final product offering and establish key reference sites. We expect a positive response given the excellent reaction to test marketing of the system capability to potential users.
- We are discussing the use of our proven AXIS-3D® technology with a number of potential commercial customers. The aim is to establish two or three key reference sites, which we will service and maintain to allow promotion of the concept. Following establishment of these, we will source and appoint appropriate sales agents in the UK and overseas.

I am delighted to also announce that, subject to the Placing becoming unconditional and the successful Admission of the Placing Shares, it is proposed that Ray Gibbs will take up a full time position in a dual role of Finance Director and Chief Operating Officer. Ray would be working closely with Nick Fox to develop and grow our Security and Industrial markets now we have established credible, cost effective products for both sectors.

It is intended that subject to the successful Admission of the Placing Shares the Board of Image Scan will grant options to Ray Gibbs under the Image Scan Enterprise Management Incentives Share Option Plan, in recognition of his efforts in regard to the Placing and other work over the past six months.

Although the sales and orders in the second half of the year have been disappointing, our indicative quotations to Rapiscan are continuing to grow and we anticipate them translating into sales in the forthcoming year. The strengthening of the management team is especially welcome as the sales prospects for the next twelve months look promising and the commercialisation of the core products starts in earnest.

6. Extraordinary General Meeting

You will find set out at the end of this document a notice convening the EGM to be held at the offices of Stallard Solicitors, Centurion House, 37 Jewry Street, London EC3N 2ER at 10.00 a.m. on 29th October 2003. At the meeting the Resolution will be proposed, the effect of which can be summarised as follows:

- (i) to increase the authorised share capital by the creation of an additional 4,500,000 new ordinary shares of 1p each;
- (ii) without prejudice to all subsisting authorities, to authorise the directors to allot relevant securities up to the aggregate nominal amount of £42,000; and
- (iii) without prejudice to all subsisting authorities, to empower the directors to allot equity securities for cash pursuant to the authority given in the previous resolution as if section 89(1) of the Act (which relates to the pre-emption rights of existing shareholders) did not apply to the allotment.

7. Action to be taken

Shareholders will find a Form of Proxy at the end of this document for use in connection with the EGM. Forms of Proxy should be completed and returned in accordance with the instructions printed thereon so that they arrive at the Company's Registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA as soon as possible and in any event not later than 10.00 a.m. on 27th October 2003. Completion and return of a Form of Proxy will not prevent Shareholders from attending and voting at the EGM, should they so wish.

8. Recommendation

The Directors, who have been so advised by Durlacher, believe that the proposed Placing is in the best interests of the Company and its Shareholders as a whole. In providing advice to the Directors, Durlacher has taken into account the Directors' commercial assessment of the business and prospects of the Company.

Accordingly, the Directors unanimously recommend that you vote in favour of the Resolution as they have undertaken to do so in respect of their own beneficial holdings amounting in aggregate to 2,332,335 Ordinary Shares representing approximately 14.4 per cent. of the Company's current issued share capital.

Yours faithfully

Nigel Tipple
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

Image Scan Holdings plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered No. 3062983)

NOTICE is hereby given that an Extraordinary General Meeting of the above-named Company will be held at 10.00 a.m. on 29th October 2003 at the offices of Stallard Solicitors, Centurion House, 37 Jewry Street, London EC3N 2ER for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

THAT:

- (a) pursuant to sections 121 and 123 of the Companies Act 1985 as amended from time to time (the "Act"), the authorised share capital of the Company be and is hereby increased from £200,000 to £245,000 by the creation of 4,500,000 new ordinary shares of 1p each, ranking *pari passu* in all respects with the existing ordinary shares of 1p each in the capital of the Company;
- (b) without prejudice to all subsisting authorities, the directors of the Company (the "Directors") be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) of the Company on and subject to such terms as the Directors may determine. The authority hereby conferred shall, subject to section 80 of the Act, be for a period expiring 12 months from the passing of this resolution (unless revoked or renewed by the Company in General Meeting) and the maximum nominal amount of relevant securities which may be allotted pursuant to such authority shall be £42,000 save that the Directors may allot relevant securities pursuant to this authority after that date pursuant to an offer or agreement made by the Company on or before that date as if such authority had not expired;
- (c) without prejudice to all subsisting authorities, the Directors be and they are hereby empowered pursuant to section 95 of the Act for the period commencing on and with effect from the date of adoption of this resolution and (unless revoked or renewed by the Company in General Meeting) expiring 12 months from the passing of this resolution to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by this resolution (in paragraph (b) above) as if section 89(1) of the Act did not apply to such allotment, and the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power.

By Order of the Board
Louise George
Company Secretary

Registered Office
Pera Innovation Park
Nottingham Road
Melton Mowbray
Leicestershire
LE13 0PB

Dated 1st October 2003

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.
2. A Form of Proxy is enclosed for the holders of Ordinary Shares.
3. The instrument appointing a proxy must reach the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA not less than 48 hours before the holding of the meeting.
4. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, members who hold shares in uncertificated form must be entered on the Company's register of members at 10.00 a.m. on 27th October 2003 in order to be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at such time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.

