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If you have sold or otherwise transferred all your holding of Ordinary Shares in Image Scan Holdings Plc you should immediately forward this document, including the Form of Proxy, as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

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# **IMAGE SCAN HOLDINGS PLC**

*(Incorporated and registered in England and Wales with registered number 03062983)*

## **Notice of Extraordinary General Meeting**

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This Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the Ordinary Shares of the Company in the United States, Canada, Australia, South Africa, Ireland or Japan. Overseas shareholders and any person (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward this document to a jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

The distribution of this Circular and any offering or sale of Ordinary Shares of the Company in certain jurisdictions may be restricted by law. No action has been taken by the Company or Seymour Pierce Limited that would permit an offering of the Ordinary Shares of the Company or possession or distribution of this Circular or any other offering or publicity material relating to the Ordinary Shares of the Company in any jurisdiction where action for that purpose is required. Persons into whose possession this Circular comes are required by the Company and Seymour Pierce Limited to inform themselves about and to observe any such restrictions.

Notice of Extraordinary General Meeting of Image Scan Holdings Plc to be held at Centurion House, 37 Jewry Street, London EC3N 2ER at 2.00 pm on 14 June 2007 is set out on page 8 of this document. The attached pre-paid Form of Proxy for use at the Extraordinary General Meeting should be completed and returned as soon as possible and, in any event, so as to be received by the Company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD not less than 48 hours before the time fixed for the Extraordinary General Meeting. Completion and return of a Form of Proxy will not preclude any Shareholder from attending and voting at the Extraordinary General Meeting should they wish to do so.

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## EXPECTED TIMETABLE

Publication of this document	21 May 2007
Latest time and date for receipt of Forms of Proxy	2.00 pm on 12 June 2007
Extraordinary General Meeting	2.00 pm on 14 June 2007

## DEFINITIONS

In this document, the following words and expressions shall, except where the context requires otherwise, have the following meanings:

“Act”	the Companies Act 1985 as amended from time to time
“Admission”	admission of the Company’s Ordinary Shares to trading on AIM which became effective on 25 April 2002
“Admission Document”	the admission document produced by the Company pursuant to the AIM Rules for Admission
“Articles”	the articles of association of the Company
“AIM”	the AIM market operated by London Stock Exchange plc
“AIM Rules”	the rules of the London Stock Exchange plc governing the admission to, and operation of, AIM
“Board” or “Directors”	the directors of the Company
“Circular”	this document
“Company” or “Image Scan”	Image Scan Holdings plc
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 2.00 pm on 14 June 2007, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy attached to this document for use in connection with the EGM
“Ordinary Shares”	ordinary shares of £0.01 in the capital of the Company
“new Ordinary Shares”	up to 20,000,000 Ordinary Shares to be issued pursuant to the Placing
“Placing”	the proposed conditional placing by the Company of the new Ordinary Shares at 15p per new Ordinary Share;
“Placing Price”	15p per new Ordinary Share
“Qualifying Investors”	such persons who are able to participate in the Placing in compliance with the Financial Services and Markets Act 2000 and other relevant legislation and regulations
“Resolutions”	the resolutions set out in the notice of EGM at the end of this document
“Seymour Pierce”	“Seymour Pierce Limited”
“Shareholders”	holders of Ordinary Shares.

## LETTER FROM THE CHAIRMAN

### IMAGE SCAN HOLDINGS PLC

*(Incorporated and registered in England and Wales with registered number 03062983)*

*Directors:*

Peter Woods (*Non-Executive Chairman*)  
Nicholas Fox (*CEO*)  
Louise George (*Finance Director*)  
Ian Johnson (*Non-Executive Director*)  
Simon Godber (*Technical Director*)  
Robin Higgons (*Sales and Marketing Director*)

*Registered and Head Office:*

Pera Innovation Park  
Nottingham Road  
Melton Mowbray  
Leicestershire  
LE13 0PB

21 May 2007

Dear Shareholder

It was announced on 21 May 2007 that the Company has conditionally raised £3 million by way of a placing, concluded by Seymour Pierce, of 20,000,000 new Ordinary Shares at 15p per share.

I am writing to you to give you notice of an Extraordinary General Meeting to be held at 2.00 pm on 14 June 2007, formal notice of which is set out at the end of this letter. This EGM has been called for the purpose of proposing the Resolutions described below which will enable the Placing to be completed.

At the EGM, ordinary resolutions will be put to Shareholders for the purpose of increasing the authorised share capital of the Company and giving the Directors authority to allot shares in the Company pursuant to section 80 of the Act. A special resolution will also be put to shareholders for the purpose of granting authority to the Company to disapply the pre-emption rights pursuant to section 95 of the Act.

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.

#### **Commercial Overview**

The Company continues to operate in both the security and industrial sector offering x-ray inspection systems. Over recent years the Company has achieved the following:

- Consolidation of its product offerings to four key products, all underpinned by the same core technology, the X-Line camera;
- Established credible 'blue chip' reference sites such as Johnson Matthey and British Nuclear Group;
- Secured multiple routes to market by means of licence and distribution agreements; and
- Strong end of period order book of £945,000 compared to £253,000 at March 2006.

#### *Industrial*

Recent sales to industry have been dominated by two significant contracts. The Company is installing the new MDXi-NT system into Johnson Matthey's UK and South African sites and is developing an in-line inspection system for one of British Nuclear Group's manufacturing plants.

Funded feasibility work has been carried out for several other 'blue chip' companies and negotiations with these organisations are continuing from which the Company anticipates full development contracts with repeat order potential.

Industrial sales to date have been handled directly by the Company, but in recent months two distributors have been appointed, VOGT Werkstoffpruefsysteme GmbH and X-matrix LLC, to represent the Company in Germany and North America respectively.

The Company has also established a dedicated support group to service the needs of its growing installed base of industrial systems. This new profit centre has secured orders representing a mix of critical spares and annual maintenance contracts.

#### *Security*

The Company has developed two security products, both of which have secured UK regulatory approval. The TPXi-675 portable x-ray imaging system is marketed through worldwide distribution channels. There have been low volume 'early adopter' sales from which it is anticipated multiple repeat orders will arise within the next two years.

In addition the Company has a licence agreement with Eurologix Ltd for its 2D baggage screening software and expects sales under this agreement to now develop.

#### **Reasons for the Placing**

The Company is seeking to raise £3 million (before expenses) to consolidate its technological position, accelerate its growth and optimise the market opportunities it has recently generated. In particular the Company shall use the funds to:

- Invest in product development to further improve the Company's competitive position;
- Expand sales, marketing and distribution to manage the strong pipe line of potential customers and secure additional orders;
- Strengthen resources to better serve customers;
- Repayment of £600,000 loan stock;
- Provide the necessary working capital for continued growth; and
- Assess potential strategic acquisitions.

The shares are being placed at a discounted price of 15p in order to attract the appropriate level of investment and to broaden the institutional shareholder base. The Directors have elected not to make the Placing available to existing shareholders on a pre-emptive basis as they believe that the costs involved in making a pre-emptive offering would be disproportionate to the sums being raised by the Company and would not be in the best interests of the Company as a whole. Having taken the opportunity to extend the institutional base the Directors believe there should follow an increase in the liquidity of the Company's shares and its public profile.

#### **Details of the Placing**

The Company is proposing to raise approximately £3 million (before expenses) through the conditional placing by Seymour Pierce of 20,000,000 new Ordinary Shares at 15 pence per share. The Company, Seymour Pierce, and the Directors have entered into a placing agreement relating to the Placing, which *inter alia*, contains warranties in favour of Seymour Pierce by the Company and the Directors. The liability of the Company under such warranties is unlimited.

The Placing is conditional on, among other things, the Resolutions being passed at the EGM and Admission becoming effective at or before 8.00 am on 15 June 2007 (or such later date as the parties agree but no later than 8.00 am on 29 June 2007).

Seymour Pierce has agreed to use its reasonable endeavours to place the Placing Shares at the Placing Price to Qualifying Investors. The placing agreement confers on Seymour Pierce the right, among other things, to terminate its obligations prior to Admission of the Placing Shares in the event of material breach of warranty or undertaking and/or certain "force majeure" events relating to the occurrence of adverse market conditions.

The new Ordinary Shares will rank *pari passu* with the existing Ordinary Shares including the rights to all dividends and other distributions declared, paid or made after their date of issue.

It is necessary for the Company to obtain shareholder approval at the EGM for an increase in the authorised share capital and in the Directors' authorities to allot shares as the existing authorities will not cover the issue of all of the new Ordinary Shares pursuant to the Placing.

Application will be made for admission of the 20,000,000 new Ordinary Shares to trading on AIM. Dealings in the new Ordinary Shares is expected to commence on 15 June 2007.

Certain of the Directors (direct or otherwise) intend to participate in the Placing as follows:

A number of members of the Company's management and employees and members of their immediate families will be participating in the placing, including four directors of the Company whose dealings are as follows:

<i>Director</i>	<i>Holding as at the date of this document</i>	<i>Shares acquired in the placing</i>	<i>Holding immediately following the Placing and EGM</i>	<i>% of total issued shares</i>
Nicholas Fox	2,485,121	46,667	2,531,788	4.6%
Louise George	100,000	48,000	148,000	0.3%
Robin Higgons	–	73,333	73,333	0.1%
Peter Woods	1,420,571	166,667	1,587,238	2.9%

### **Extraordinary General Meeting**

Shareholder approval of the Resolutions is being sought at the EGM. At the end of this document is a notice convening an Extraordinary General Meeting at which Shareholders will be asked to consider, and if thought fit, to pass the following resolutions:

#### **Ordinary Resolutions:**

Resolution 1: to increase the Company's authorised share capital to the extent necessary to enable the Placing to be completed and to provide the Company with sufficient authorised but unissued share capital for the foreseeable future.

Resolution 2: to grant the directors of the Company authority under section 80 of the Act to allot relevant securities.

#### **Special Resolution:**

Resolution 3: to grant the directors of the Company authority under section 95 of the Act to allot equity securities for cash other than pro rata to existing shareholders.

### **Action to be taken**

A Form of Proxy is attached for use by Shareholders at the EGM. Whether or not Shareholders intend to be present at the EGM they are asked to complete, sign and return the Form of Proxy to the Company's registrars, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD as soon as possible but in any event so as to arrive no later than 2.00 pm on 12 June 2007. The completion and return of a Form of Proxy will not preclude Shareholders from attending the EGM and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the EGM in person they are urged to complete and return the Form of Proxy as soon as possible.

**Recommendation**

**Your Directors consider that the passing of the Resolutions is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolutions to be proposed at the EGM as they intend to do in respect of their own beneficial holdings of 4,219,977 Ordinary Shares representing approximately 12 per cent. of the Company's existing issued Ordinary Shares.**

Yours faithfully

Peter Woods  
*Non Executive Chairman*

## IMAGE SCAN HOLDINGS PLC

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS GIVEN** that an **EXTRAORDINARY GENERAL MEETING** of Image Scan Holdings Plc (“the Company”) will be held at 2.00 pm on 14 June 2007 at Centurion House, 37 Jewry Street, London EC3N 2ER for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 and 2 will be proposed as ordinary resolutions, and resolution 3 will be proposed as a special resolution:

#### Ordinary Resolutions

1. Pursuant to sections 121 and 123 of the Companies Act 1985 (as amended) (the “Act”), the authorised shared capital of the Company be and is hereby increased from £500,000 to £1,000,000 by the creation of 50,000,000 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.
2. Subject to and conditionally upon the passing of resolution 1 above the directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in the said section) of the Company up to an aggregate nominal amount of £380,000 in substitution for all existing such authorities previously conferred on the directors which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant to thereto. The authority conferred by this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this resolution, whichever is the earlier, but may be previously revoked or varied from time to time by the Company in general meeting so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation and the Directors may allot relevant securities in pursuance of such offer or agreement as if such authority had not expired or been revoked or varied.

#### Special Resolution

3. The Directors be and they are hereby empowered pursuant to section 95 of the Act, subject to and conditionally upon the passing of resolution 2 above, to allot equity securities (as defined by Section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 2 above as if Section 89(1) of the Act did not apply to any such allotment provided that such powers shall be limited to:
  - (i) the allotment of equity securities in connection with the Placing as described in the circular to the shareholders of the Company dated 21 May 2007 (of which this notice forms part); and
  - (ii) the allotment of equity securities otherwise than pursuant to sub-paragraph (i) up to an aggregate nominal amount being ten per cent of the Company’s issued share capital following the Placing, the power hereby conferred shall expire 15 months after the passing of this resolution or at the conclusion of the Company’s next annual general meeting if earlier but may be previously revoked or varied from time to time by Special Resolution but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted or relevant shares to be sold after such expiry, revocation or variation and the directors may allot relevant shares and sell relevant shares in pursuance of such offer or agreement as if such power had not expired or been revoked or varied.

*Registered Office:*

Pera Innovation Park  
Nottingham Road  
Melton Mowbray  
Leicestershire  
LE13 0PB

*By order of the Board*

Louise George  
Company Secretary

Dated 21 May 2007

Notes:

- (i) A member entitled to vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy is attached to this notice for use at the meeting.
- (ii) To be valid, the instrument appointing a proxy (together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power of authority in accordance with section 3 of the Powers of Attorney Act 1971) must be deposited at or posted to the office of the registrars of the Company, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD, to be received no less than 48 hours before the time fixed for the meeting. Completion and return of the form of proxy will not preclude shareholders from attending or voting at the meeting in person.