

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**GROUP INFORMATION**

**AS AT 30 September 2009**

<b>Directors</b>	A M Harle J F Harvey J DiGiacomo P J Harris
<b>Company Secretary</b>	J E Clare
<b>Registered Office</b>	Apex House West End Frome Somerset BA11 3AS
<b>Registered Number</b>	1281003
<b>Auditors</b>	Moore Stephens Chartered Accountants 30 Gay Street Bath BA1 2PA
<b>Bankers</b>	Lloyds TSB Bank Plc 25 Cheap Street Frome Somerset BA11 1BW
<b>Solicitors</b>	Nabarro Nathanson 50 Stratton Street London W1X 6NX  Harris and Harris 11 Stony Street Frome Somerset BA11 1BU
<b>Registrars</b>	Neville Registrars Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

**INSPECTRON HOLDINGS LIMITED  
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**INSPECTRON HOLDINGS LIMITED  
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**CHAIRMAN'S STATEMENT**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

I am pleased to report on trading for the period ended 30 September 2009 and to explain the restructuring steps which are in the process of being completed, following our de-listing from AIM on 11 August 2009.

Our accounting reference date has been moved to 30 September, to simplify the combination of results from our UK and USA trading subsidiaries, which were previously for the periods to 31 July and 30 September respectively. The effect for this is that we are reporting on a total of 14 months of trading for this period.

Profit before tax and interest was £242,000 (2008: £153,000) on revenue of £2,978,000 (2008: £2,587,000). Earnings per share were 1.70p (2008: 1.62p). Cash balances as at 30 September 2009 amounted to £234,000 (31 July 2008: £547,000) and net assets were £189,000 (31 July 2008: net liabilities £71,000). The board does not recommend the payment of a dividend.

**Overview**

The period has seen continued improvement in both profit and overall company health. The main activity was completion of two e-Passport jobs ordered in the previous year, and one new e-Passport project for a European country ordered and completed this period. Traditional Integrity business and support contract income held up well.

A significant amount of management and development time and resource was spent in supporting a bidder for a new e-Passport contract. Our partner has since won this deal, and we are currently working on this job.

In August we attended the China Print exhibition in Beijing, which resulted in new business in Indonesia and two significant orders for lottery ticket inspection systems for installation in China. We also identified and have since appointed an experienced Chinese agent for the Chinese market.

**Group Restructuring Steps**

In August 2009 we changed our status from that of PLC to a limited company, in order to qualify for less demanding audit and reporting expenses. We are now taking steps to change the company's capital structure to improve its balance sheet presentation, and to eliminate long dormant and redundant subsidiary companies.

The process of de-listing from AIM was also demanding of time and effort. Now that this is complete, we have started work on restructuring the group to better position us for future growth and to simplify understanding of who we are and what we do. As part of this restructuring the company is looking to consolidate its shares which will allow smaller shareholders to dispose of their holdings without dealing costs. To this end, you will receive documents explaining the consolidation proposals.

**Current Trading**

The year has started well, with the above mentioned Chinese order, the new e-Passport project which we worked on last year, and we have just received another order in partnership with our Japanese UNO friends, for another e-Passport project in Asia. We have also received another order from our other Japanese partner, CTC, for high speed camera systems.

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**CHAIRMAN'S STATEMENT**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

Although our business is now stable after recovering from setbacks two years ago, we feel it is important to invest in broadening our overall market by searching out new niche areas. This will inevitably involve increased expense. We also plan to continue with Research and Development to ensure that we have follow on solutions available for existing and new markets.

In order to capitalise upon the strong reputation and experience gained with RFID solutions in e-Passports, we have embarked upon a project to identify new specialist markets, where our skills, experience and proven software solutions can be leveraged to widen our general market opportunities. We have also expanded the sales and development teams to cover the expected increase in projects which we can reliably handle.

We continue to present the MagVision solution at trade shows, and have identified other unique applications for this technology, for which patent application is currently in process.

**Future Prospects**

Our two main niche solutions in e-passports and high speed data verification appear to have an ongoing need worldwide. Our presence in Asia is growing, and we plan to offer new RFID based solutions to exploit new markets. This will inevitably mean re-investing some of our current earnings, with the goal of maintaining continued growth and stability

Chairman

8<sup>th</sup> February 2010

**INSPECTRON HOLDINGS LIMITED  
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**DIRECTOR'S REPORT**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

The Directors present their report and the consolidated financial statements for the 14 months ended 30 September 2009.

**COMPANY STATUS**

The company ceased to be listed on the Alternative Investment Market on 11 August 2009. It re-registered as a private limited company, and changed its name from Inspectron Holdings Plc to Inspectron Holdings Limited on 18 August 2009.

The financial year was extended to bring all of the group's subsidiary holdings in line with the same year end. The comparative data for 2008 is not comparable to 2009 in that 2008 reports 12 months of trade while 2009 reports 14 months of trade.

**PRINCIPAL ACTIVITIES**

The principal activities of the Group are the programming and resale of computer software for the document production, information capture and workflow markets.

**RESULTS & DIVIDEND**

The results of the Group are set out in the Consolidated Income Statement on page 9. The Directors do not recommend the payment of a dividend.

**BUSINESS REVIEW**

The company has continued to focus on sales of integrity software and e-Passport products. We have increased levels of repeat support contracts for solutions already sold and at the year end have a stronger level of back log orders than at the start of the year. The Group's key financial and non-financial performance indicators are total revenue, profit before interest and tax, and headcount. These are discussed in more detail below.

*Revenue*

Revenue increased by 15% to £3.0 million from £2.6 million.

*Operating profit*

A gross profit margin of 57% was achieved compared to 56% last year. The increase in administration expenses needed to support the higher level of sales was restricted to £61,000. The net profit before interest and taxes for this year was £242,000 compared to last year of £153,000.

*Headcount*

Total headcount amounted to 22 compared with 23 in 2008.

The principal risks and uncertainties facing the Group are:

*Global economic climate*

The slowdown in world economies will present challenges to securing sales however the key features of our products are security and efficiency and this should reduce the impact of any economic down turn on our sales.

*Foreign exchange risk*

Exposure to foreign currency gains and losses could be material to the Group. Inspectron Inc. (formerly Formscan, Inc.) trades in US\$ and this acts as a natural hedge against currency movement.

*Employees*

Our success has been built on the quality of our products and services which rely significantly on the quality of the people delivering them. Maintaining this pool of skilled and motivated individuals remains key to our ongoing success. The Group endeavours to

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**DIRECTOR'S REPORT**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

ensure that all employees are motivated by their work and staff are encouraged to develop their skills.

*Research and development*

The Group is dependent upon introducing new products and enhancing existing products and therefore will need to continue in investing in research and development otherwise it will not be able to satisfy customer needs.

**FUTURE DEVELOPMENTS**

The Group plans to continue present activities generating revenue in the global market and maintaining the progressive aspect of its products.

**POST STATEMENT OF FINANCIAL POSITION EVENTS**

There have been no significant events since the statement of financial position date affecting the Group.

**THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY**

The Directors during the period under review and the shares in the company in which they were beneficially interested at the beginning and end of the period were:

	30 Sept 2009	% of ordinary	31 July 2008	% of ordinary
	1p ordinary shares	share capital	1p ordinary shares	share capital
A M Harle	5,037,262	42.36	5,037,262	42.36
J F Harvey	2,251,994	18.94	2,070,712	17.41
J DiGiacomo	307,565	2.59	170,608	1.43
P J Harris	64,296	0.54	5,467	0.05

The Directors are aware of the following further holdings of more than 3% other than those above:

Goldman Sachs Securities	1,226,191	10.31%
Barclayshare Nominees Ltd	751,126	6.32%

**EMPLOYEES**

The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities. All employees equally benefit from the training and the career development programmes.

The Group has continued its policy of employee involvement by making information available to employees through the company intranet.

**PAYMENT TO SUPPLIERS**

Suppliers are made aware of payment terms and how disputes are to be settled and payment is made in accordance with those terms. At 30 September 2009 the company has an average of 28 days (2008: 31) purchases outstanding in trade creditors.

**FINANCIAL RISK**

The Group does not have a material exposure to financial risk.

**RESEARCH AND DEVELOPMENT**

The Group's activities in research and development are principally concerned with the development of new products and the improvements of existing products. Research is directed at acquiring new knowledge targeted at a specific objective.

**INSPECTRON HOLDINGS LIMITED  
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**DIRECTOR'S REPORT**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

**DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors 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.

**DISCLOSURE OF INFORMATION TO AUDITORS**

In so far as the Directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**AUDITORS**

Moore Stephens have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be made at the forthcoming annual general meeting.

Registered office:  
Apex House  
West End  
Frome  
Somerset  
BA11 3AS

Signed by order of the Directors

J E Clare  
Company Secretary

Approved by the Directors on 8<sup>th</sup> February 2010

**INSPECTRON HOLDINGS LIMITED  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSPECTRON  
HOLDINGS LIMITED**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

We have audited the financial statements of Inspectron Holdings Limited for the period ended 30 September 2009 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the company's financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group and company's affairs as at 30 September 2009 and of the group's profit for the period then ended;
- the company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSPECTRON  
HOLDINGS LIMITED**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanation we require for our audit.

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Andrew Vince (Senior Statutory Auditor)

For and on behalf of  
Moore Stephens, Statutory Auditor  
30 Gay Street  
Bath

Date: 8<sup>th</sup> February 2010

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

	Note	<b>2009 £'000</b>	2008 £'000
<b>Revenue</b>	2	<b>2,978</b>	2,587
<b>Cost of sales</b>	3	<b>(1,279)</b>	(1,126)
<b>Gross profit</b>		<b>1,699</b>	1,461
<b>Operating expenses</b>			
Distribution costs		<b>(134)</b>	(46)
Administrative expenses		<b>(1,323)</b>	(1,262)
<b>Operating profit/(loss)</b>	4	<b>242</b>	153
Finance income	5	<b>7</b>	5
Finance costs	6	<b>(7)</b>	(27)
<b>Profit/(loss) before income tax</b>		<b>242</b>	131
Income tax	8	<b>41</b>	(62)
<b>Profit/(loss) for the period</b>		<b>201</b>	193
<b>Attributable to equity holders of the company</b>		<b>201</b>	193
Profit per share attributable to the equity holders of the company during the period - basic and diluted			
Continuing Operations	9	<b>1.70p</b>	1.62p
		<b>1.70p</b>	-
		<b>1.70p</b>	1.62p

All of the activities of the company are classed as continuing. The company has no recognised gains or losses other than the results for the period as set out above.

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill	11	44	41
Property, plant and equipment	10	307	319
		<u>351</u>	<u>360</u>
<b>Current assets</b>			
Inventories	14	71	42
Trade and other receivables	15	302	220
Cash and cash equivalents	16	234	547
<b>Total current assets</b>		<u>607</u>	<u>809</u>
<b>Total assets</b>		<u><u>958</u></u>	<u><u>1,169</u></u>
<b>Equity</b>			
Share capital	21	119	119
Share premium account	24	1,248	1,248
Merger reserve	22	712	712
Revaluation reserve	23	366	366
Capital redemption reserve	25	5	5
Retained earnings	26	(2,261)	(2,521)
<b>Total equity</b>		<u>189</u>	<u>(71)</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	481	1,153
Current tax liabilities	18	45	44
Bank loan and overdrafts	16	243	43
		<u>769</u>	<u>1,240</u>
<b>Total equity and liabilities</b>		<u><u>958</u></u>	<u><u>1,169</u></u>

These financial statements were approved and authorised for issue by the Directors on the 08/02/2010 and are signed on their behalf by:

J F Harvey  
Director  
Date: 8<sup>th</sup> February 2010

Registered Number 1281003

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**COMPANY STATEMENT OF FINANCIAL POSITION**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

	Notes	2009 £'000	2008 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Investments	12	54	216
Property, plant and equipment	10	<u>278</u>	<u>285</u>
		<u>332</u>	<u>501</u>
<b>Current assets</b>			
Trade and other receivables	15	132	354
Cash and cash equivalents	16	<u>16</u>	<u>2</u>
<b>Total current assets</b>		<u>148</u>	<u>356</u>
<b>Total assets</b>		<u>480</u>	<u>857</u>
<b>Equity</b>			
Share capital	21	119	119
Share premium account	24	1,248	1,248
Merger reserve	22	712	712
Revaluation reserve	23	20	20
Capital redemption reserve	25	5	5
Retained earnings	26	<u>(1,730)</u>	<u>(1,691)</u>
<b>Total Equity</b>		<u>374</u>	<u>413</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	97	432
Current tax liabilities	18	9	10
Bank loan and overdrafts	16	<u>-</u>	<u>2</u>
		<u>106</u>	<u>444</u>
<b>Total equity and liabilities</b>		<u>480</u>	<u>857</u>

These financial statements were approved and authorised for issue by the Directors on the 08/02/2010 and are signed on their behalf by:

J F Harvey  
Director  
Date: 8<sup>th</sup> February 2010

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**CONSOLIDATED & COMPANY STATEMENT OF CASHFLOWS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

	Notes	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	2008	<b>2009</b>	2008
		<b>£'000</b>	£'000	<b>£'000</b>	£'000
<b>Net cash from operating activities</b>	31	<b>(637)</b>	834	<b>16</b>	(2)
<b>Cash flows from investing activities</b>					
Interest received	5	<b>7</b>	5	-	-
Proceeds on disposal of property, plant and equipment		-	3	-	-
Purchase of property, plant and equipment	10	<b>(9)</b>	(15)	-	-
Net cash generated from investing activities		<b>(2)</b>	(7)	-	-
<b>Net increase in cash and cash equivalents</b>		<b>(639)</b>	827	16	(2)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>504</b>	(323)	-	2
Effect of foreign exchange movements		<b>126</b>	-	-	-
<b>Cash and cash equivalents at the end of the period</b>	16	<b>(9)</b>	504	<b>16</b>	-

**INSPECTRON HOLDINGS LIMITED  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

**Group**

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Retained Earnings £'000</b>	<b>Other Reserves £'000</b>	<b>Total Equity £'000</b>
Balance at 1 August 2007	119	1,248	(2,714)	1,083	(264)
Profit/(loss) for the period			193		193
Foreign Exchange Translation			-		-
Balance at 31 July 2008	<b>119</b>	<b>1,248</b>	<b>(2,521)</b>	<b>1,083</b>	<b>(71)</b>
Profit/(loss) for the period			201		201
Foreign Exchange Translation			59		59
Balance at 30 Sept 2009	<b>119</b>	<b>1,248</b>	<b>(2,261)</b>	<b>1,083</b>	<b>189</b>

**Company**

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Retained Earnings £'000</b>	<b>Other Reserves £'000</b>	<b>Total Equity £'000</b>
Balance at 1 August 2007	119	1,248	(1,672)	737	432
Profit/(loss) for the period			(19)		(19)
Balance at 31 July 2008	<b>119</b>	<b>1,248</b>	<b>(1,691)</b>	<b>737</b>	<b>413</b>
Profit/(loss) for the period			(39)		(39)
Balance at 30 Sept 2009	<b>119</b>	<b>1,248</b>	<b>(1,730)</b>	<b>737</b>	<b>374</b>

Other reserves are comprised of merger reserve of £712,147; revaluation reserve of £366,474 (Company £20,222) and capital redemption reserve of £5,289.

**INSPECTRON HOLDINGS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

**GENERAL INFORMATION**

Inspectron Holdings Limited is a private limited company which is incorporated in the United Kingdom under the Companies Act 2006.

The address of the registered office is:

Apex House  
West End  
Frome  
Somerset  
BA11 3AS

The principal activity of the Group companies during the period was the programming and resale of computer software for the document production, information capture and workflow markets.

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have adopted the requirements of International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations and the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, financial assets and financial liabilities at fair value through profit or loss.

**Standards and interpretations issued but not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied to the financial statements were in issue but not yet effective.

**INSPECTRON HOLDINGS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

**Standards (continued)**

IFRS 2	Share based payment – Amendment relating to vesting conditions and cancellations. Revised 2008	Effective for Annual periods beginning on or after 1 January 2009.
IFRS 3	Business combinations – Comprehensive revision on applying acquisition method. Revised 2008	Annual periods beginning on or after 1 July 2009.
IFRS 8	Operating Segments	Annual periods beginning on or after 1 January 2009.
IAS 1	Presentation of Financial Statements – Comprehensive revision including requiring of statement of comprehensive income. 2007	Annual periods beginning on or after 1 January 2009.
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3.	Annual periods beginning on or after 1 July 2009.

**Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

**Judgments**

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

**Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 September 2009 was £32,633 (31 July 2008; £62,950) and the unrecognised tax losses at 30 September 2009 was £590,000 (31 July 2008; £534,000).

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to September this year and July in previous years. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the control of the acquiree, plus any costs directly attributable to the business combination.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is recognised as an asset and reviewed for impairment at least annually.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The parent company sustained a loss after tax of £39,000 in the 14 months ended 30 September 2009.

**Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities described below.

This is stated as net invoiced value of goods supplied to customers within the Group's ordinary activities after deduction of trade discounts and Value Added Tax and sales taxes.

a) Sale of services – software solutions

Revenue from fixed-price contracts for delivering software solutions are recognised under the percentage of completion method (POC). Under the POC method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

b) Sale of services – software support

Revenue from fixed-price software support contracts is recognised in the period the services are provided, using a straight-line basis over the term of the contract.

**Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other plant and equipment is shown at historical cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and

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maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings - 50 years

Fixtures & fittings, motor vehicles and equipment - 3 to 10 years

**Intangible fixed assets**

Intangible fixed assets are written off over the Directors' estimate of their useful economic lives.

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill arising on the acquisition of subsidiaries is recognised as an asset and reviewed for impairment at least annually.

**Taxation**

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

**Inventory**

Inventory is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Research and development**

Research and development expenditure is written off in the period in which it is incurred. Research and development expenditure was £60,000 for the period ended 30 September 2009 (£71,000 for the year ended 31 July 2008).

**Foreign Currency Translations**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

The functional currency of one of the Group's subsidiaries is US \$. The presentational currency is GB £.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the income statement. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

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**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Pension Costs**

The Group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the companies in independently administered funds. The costs of providing pensions are expensed as incurred.

**Financial instruments**

**Trade and other debtors**

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

**Cash and cash equivalents**

Cash and cash equivalents are included in the statement of financial position at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

**Interest-bearing loans and borrowings**

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process.

**2 TURNOVER**

An analysis of turnover by geographical market is given below:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
United Kingdom	<b>368</b>	382
European Economic Community	<b>26</b>	65
North America	<b>1,490</b>	1,327
Australasia and Asia	<b>1,094</b>	813
	<u><b>2,978</b></u>	<u>2,587</u>

All turnover is attributable to the principal activity of the Group, as such turnover, profit before tax and net assets attributable to each business class, are not disclosed. The Directors do not feel able to split the profit before tax and net assets attributable to each geographical segment and accordingly this information is not given.

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**3 COST OF SALES AND EXPENSES**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Cost of sales	<b>1,279</b>	1,126
Distribution costs	<b>134</b>	46
Administrative expenses	<b>1,323</b>	1,262

**4 OPERATING PROFIT/(LOSS)**

This is stated after charging:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Directors' remuneration	<b>508</b>	404
Auditors' remuneration	<b>22</b>	20
Auditors' non-audit remuneration	-	1
Depreciation	<b>22</b>	19
Amortisation of intangible fixed assets	<b>7</b>	5
Adjustment on disposal of fixed assets	-	1
Operating lease costs:	-	-
Land and buildings	-	19
Hire of equipment	<b>9</b>	9
Gain on foreign exchange	<b>7</b>	19

**5 FINANCE INCOME**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Bank interest	<b>7</b>	5

**6 FINANCE COSTS**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Interest expense for borrowings at cost	<b>7</b>	26
Interest expense on finance lease/hire purchase contracts	-	1
	<b>7</b>	27

**7 EMPLOYEE INFORMATION**

**7.1 Staff costs:**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Wages and salaries	<b>1,169</b>	1,202
Social security costs	<b>93</b>	96
Other pension costs	<b>30</b>	58
	<b>1,292</b>	1,356

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**7.2 The average monthly number of employees during the period was made up as follows:**

	<b>2009</b>	2008
Production and service	<b>8</b>	8
Sales	<b>2</b>	3
Software	<b>4</b>	4
Administration	<b>8</b>	8
	<u><b>22</b></u>	<u>23</u>

**7.3 Directors' remuneration:**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Aggregate emoluments	<b>473</b>	364
Pension costs	<b>35</b>	40
	<u><b>508</b></u>	<u>404</u>

Details of the highest paid Director:

Aggregate emoluments	<u><b>173</b></u>	<u>123</u>
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Pension benefits are accruing under money purchase schemes to two Directors.

**8 TAXATION**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
U.K. income tax	-	(9)
Adjustment in respect of prior years	-	-
Overseas taxation	<b>41</b>	(53)
	<u><b>41</b></u>	<u>(62)</u>

The company has tax losses brought forward that would at least equal the tax charge that would crystallise if the freehold property was sold for an amount equal to its revalued amount. Deferred tax assets relating to losses incurred and carried forward have been recognised on the basis that the likelihood of economic benefits will arise.

**Tax reconciliation**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Profit per accounts	<u><b>242</b></u>	<u>131</u>
Tax at local rates	<b>27</b>	58
Additional deduction of R&D expenditure	<b>(13)</b>	(7)
Expenses not deductible for tax purposes	<b>2</b>	-
Utilisation of tax losses and other deductions	<b>(27)</b>	-
Other short term timing differences	<b>4</b>	-
Capital allowances less than depreciation	<b>(2)</b>	(3)
Adjustments to tax in respect of previous periods	<b>(2)</b>	-
Unrelieved tax losses and other deductions	<b>10</b>	5
U.S. tax adjustment	<b>43</b>	(53)
Income not taxable for tax purposes	<b>(1)</b>	-
Deferred tax assets recognised	-	(62)
	<u><b>41</b></u>	<u>(62)</u>

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**9 PROFITS PER SHARE**

Basic profits per share have been calculated on the profit attributable to shareholders for the period of £201,000 (2008:£193,000) and 11,890,904 shares (2008: 11,890,904), being the weighted average number of shares in issue during the period.

The share option schemes have expired and hence the basic and diluted profits per share calculations are the same this year.

	<b>2009</b>	<b>2008</b>
Profits per share	<u>1.70p</u>	<u>1.62p</u>

**10 TANGIBLE FIXED ASSETS**

**Group**

	<i>Freehold land and buildings</i> £'000	<i>Office equipment</i> £'000	<i>Plant and machinery</i> £'000	<i>Total</i> £'000
Cost / Valuation:				
At 1 August 2007	332	91	13	436
Additions	-	4	11	15
Disposals	-	(44)	(1)	(45)
Foreign currency translation movement	-	2	-	2
At 31 July 2008	<u>332</u>	<u>53</u>	<u>23</u>	<u>408</u>
Additions	-	3	6	9
Disposals	-	-	-	-
Foreign currency translation movement	-	9	-	9
At 30 Sept 2009	<u>332</u>	<u>65</u>	<u>29</u>	<u>426</u>
Depreciation:				
At 1 August 2007	40	61	8	109
Charge for year	6	10	3	19
Disposals	-	(40)	-	(40)
Foreign currency translation movement	-	1	-	1
At 31 July 2008	<u>46</u>	<u>32</u>	<u>11</u>	<u>89</u>
Charge for year	7	8	7	22
Disposals	-	-	-	-
Foreign currency translation movement	-	8	-	8
At 30 Sept 2009	<u>53</u>	<u>48</u>	<u>18</u>	<u>119</u>
<b>Net book value at 30 Sept 2009</b>	<b><u>279</u></b>	<b><u>17</u></b>	<b><u>11</u></b>	<b><u>307</u></b>
Net book value at 31 July 2008	<u>286</u>	<u>21</u>	<u>12</u>	<u>319</u>
Net book value at 1 August 2007	<u>292</u>	<u>30</u>	<u>5</u>	<u>327</u>

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**10 TANGIBLE FIXED ASSETS  
Group (continued)**

The Freehold building was re-valued in July 2004 by Cluttons, a RICS qualified firm of Chartered Surveyors. This was carried out on a value in use basis and the Directors are not aware of any material change in the value since then. The valuation has therefore not been updated since that date.

If stated under historical cost principles the comparable amounts for freehold property would be:

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Cost:	<u>47</u>	<u>47</u>
Depreciation:		
At 1 August 2008	<b>28</b>	27
Charge for period	<u>1</u>	<u>1</u>
At 30 September 2009	<u>29</u>	28
Net book value	<u><b>18</b></u>	<u>19</u>

**TANGIBLE FIXED ASSETS  
Company**

	<i>Freehold Property £'000</i>
<b>Cost / Valuation:</b>	
At 1 August 2007 and 2008	310
Disposal	<u>-</u>
At 30 September 2009	<u>310</u>
Depreciation:	
At 1 August 2007	19
Charge for year	<u>6</u>
At 1 August 2008	25
Charge for period	<u>7</u>
At 30 September 2009	<u>32</u>
<b>Net book value at 30 September 2009</b>	<u><b>278</b></u>
Net book value at 31 July 2008	<u>285</u>
Net book value at 31 July 2007	<u>291</u>

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**11 INTANGIBLE FIXED ASSETS  
Group**

	<i>Goodwill</i> £'000
<b>Cost / Valuation:</b>	
At 1 August 2007	622
Foreign currency translation movement	<u>2</u>
At 31 July 2008	624
Foreign currency translation movement	<u>17</u>
At 30 September 2009	<u>641</u>
<b>Amortisation:</b>	
At 1 August 2007	578
Charge for year	5
Foreign currency translation movement	<u>-</u>
At 31 July 2008	583
Charge for period	7
Foreign currency translation movement	<u>7</u>
At 30 September 2009	<u>597</u>
<b>Net book value at 30 September 2009</b>	<b><u>44</u></b>
Net book value at 31 July 2008	<u>41</u>
Net book value at 31 July 2007	<u>44</u>

Goodwill relating to a business purchased by the Group is reviewed for impairment at least annually.

**12 INVESTMENTS  
Company**

	<b>2009</b> £'000	2008 £'000
Subsidiary undertakings at cost		
At beginning of period	<b>3,442</b>	3,442
Less: provision brought forward	<b>(3,226)</b>	(3,226)
provision made in period	<b>(162)</b>	<u>-</u>
At end of period	<b><u>54</u></b>	<u>216</u>

The provision made in the year relates to investments in Inspectron International Group Limited and Apparent Technologies Ltd.

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The subsidiary undertakings owned are as follows:

	<i>Country of Incorporation</i>	<i>Interest</i>	<i>Holdings</i>
Inspectron International Ltd	England	100%	100 ordinary shares of £1 each
Inspectron International Group Limited (formerly Inspectron International Group plc)	England	100%	10,578,293 ordinary shares of 1p each
Inspectron Limited	England	100%	1,000 ordinary shares of £1 each
Systems Connections Ltd	England	100%	1,000 ordinary shares of £1 each
Inspectron Inc. (formerly Formscan, Inc.)	USA	100%	6,745 shares of preferred stock of \$100 each and 108 shares of common stock of \$1 each
Apparent Technologies Ltd	England	100%	140 ordinary shares of £1 each
Inspectron Employees' Trustees Ltd	England	100%	2 ordinary shares of £1 each

Of the above companies, only Inspectron Inc. (formerly Formscan, Inc.) and Inspectron Limited traded during the period. These companies are principally involved in the programming and resale of computer software for the document production, information capture and workflow markets.

Details of the wholly owned subsidiary undertakings of Apparent Technologies Ltd are as follows:

Continuity Software Ltd	England	37,500 ordinary shares of £1 each 12,500 ordinary B shares of £1 each 101,637 preference shares of £1 each
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Since the period end the company has applied for the non-trading subsidiaries to be removed from the Register of Companies.

**13 OWN SHARES**

The shares and any other assets are held under the terms of a trust deed to benefit, at the discretion of Inspectron Employees' Trustees Limited, employees and former employees of the parent company and their dependants. At present 41,407 shares in the parent company are held.

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**14 INVENTORIES**

	<i>Group</i>		<i>Company</i>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Finished goods and goods for resale	<u>71</u>	<u>42</u>	<u>-</u>	<u>-</u>
	<b>71</b>	<b>42</b>	<b>-</b>	<b>-</b>

**15 TRADE AND OTHER RECEIVABLES**

	<i>Group</i>		<i>Company</i>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Trade receivables	202	56	-	-
Amounts owed by subsidiaries	-	-	120	331
Income tax	33	62	-	-
Other debtors	12	2	3	-
Prepayments and accrued income	<u>55</u>	<u>100</u>	<u>9</u>	<u>23</u>
	<b>302</b>	<b>220</b>	<b>132</b>	<b>354</b>

**16 CASH AND CASH EQUIVALENTS**

	<i>Group</i>		<i>Company</i>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Cash at bank and in hand	234	547	16	2
Bank overdraft	<u>(243)</u>	<u>(43)</u>	<u>-</u>	<u>(2)</u>
	<b>(9)</b>	<b>504</b>	<b>16</b>	<b>-</b>

The book value of cash and cash equivalents approximates their fair value.

**17 BORROWINGS**

Bank loans and overdrafts are secured by a fixed charge on the freehold property and a fixed and floating charge on all other assets of the Group. At 30 September 2009 the overdraft balance was £243,000.

**18 TRADE AND OTHER PAYABLES – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<i>Group</i>		<i>Company</i>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Trade creditors	115	78	40	25
Amounts owed to subsidiaries	-	-	42	326
Other taxes and social security costs	45	44	9	10
Other creditors	-	8	-	-
Accruals and deferred income	<u>366</u>	<u>1,067</u>	<u>15</u>	<u>81</u>
	<b>526</b>	<b>1,197</b>	<b>106</b>	<b>442</b>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-days terms.
- Other taxes and social security costs are paid monthly and quarterly on the due date.
- Other payables are non-interest bearing.

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- Accruals are non-interest bearing and are normally reversed as trade payable invoices are received.
- Deferred income is recognised in the period the services are provided, normally over 12 month periods.
- For subsidiaries transactions see note 20.

**19 DEFERRED TAX**

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax to the extent that it is probable that an actual asset will crystallise in the foreseeable future. The Directors have recognised deferred tax assets of £33,000 in the accounts for the period ended 30 September 2009 (£62,000 for the year ended 31 July 2008).

The deferred tax asset comprises unrealized losses carried forward to set off against future profits.

**20 RELATED PARTY DISCLOSURES-SUBSIDIARIES**

The following table provides the total amounts of transactions entered into with subsidiaries for the relevant financial year. See notes 15 and 18 for outstanding balances at 30 September 2009 and 31 July 2008.

<b>Subsidiary</b>		<b>Management charges to £'000</b>	<b>Cash payments from £'000</b>	<b>Amounts owed by £'000</b>	<b>Amounts owed to £'000</b>
Inspectron Inc. (formerly Formscan, Inc.)	2009	277	171	-	42
	2008	242	364	-	116
Inspectron Limited	2009	280	487	120	-
	2008	240	87	327	-
Apparent Technologies Ltd	2009	-	-	-	-
	2008	-	-	4	-
Inspectron International Group Ltd	2009	-	-	-	-
	2008	-	-	-	210

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**21 CALLED UP SHARE CAPITAL**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Authorised: 15,000,000 ordinary shares of 1p each	<u><b>150</b></u>	<u>150</u>
Allotted, called up and fully paid: 11,890,904 ordinary shares of 1p each	<u><b>119</b></u>	<u>119</u>

**22 MERGER RESERVE**

	<b>£'000</b>
Balance as at 1 August 2008 and at 30 September 2009	<u><b>712</b></u>

This account records the premium to their nominal value of shares issued on the acquisition of another company accounted for under merger accounting rules.

**23 REVALUATION RESERVE**

	<i>Group</i>	<i>Company</i>
	<b>2009</b>	2009
	<b>£'000</b>	£'000
Balance as at 1 August 2008 and at 30 September 2009	<u><b>366</b></u>	<u>20</u>

This represents the excess above historic cost of the last valuation of freehold property

**24 SHARE PREMIUM ACCOUNT**

	<b>£'000</b>
Balance as at 1 August 2008 and at 30 September 2009	<u><b>1,248</b></u>

This account records the value by which the consideration for shares issued by the company exceeds the nominal value.

**25 CAPITAL REDEMPTION RESERVE**

	<b>£'000</b>
Balance as at 1 August 2008 and at 30 September 2009	<u><b>5</b></u>

This reserve records the nominal value of own shares purchased and cancelled under a shares buy back plan.

**26 RETAINED EARNINGS**

	<i>Group</i>	<i>Company</i>
	<b>2009</b>	2009
	<b>£'000</b>	£'000
Balance as at 1 August 2008	<b>(2,521)</b>	(1,691)
Retained profit/(loss) for the period	<b>202</b>	(39)
Exchange difference	<b>58</b>	-
Balance as at 30 September 2009	<u><b>(2,261)</b></u>	<u>(1,730)</u>

This reserve represents the excess of accumulated losses over profit.

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**27 CONTINGENT LIABILITIES**

No provision has been made in these financial statements for possible warranty work on new hardware sales. In the opinion of the Directors, the amounts of any such liabilities are unlikely to be material to these financial statements.

**28 OPERATING LEASE COMMITMENTS**

At the period end the Group was committed to making the following payments during the next year in respect of operating leases with expiry dates as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Within one year	<b>20</b>	12	<b>5</b>	5
More than one year and less than five years	<b>38</b>	-	<b>6</b>	12
	<b><u>58</u></b>	<u>12</u>	<b><u>11</u></b>	<u>17</u>

**29 FINANCIAL INSTRUMENTS**

The Group financial assets and liabilities mainly comprise cash, short-term borrowings and short-term debtors and creditors. The Group does not hold financial instruments that would be described as derivatives.

Group companies have their local currency as their functional currency.

The Group does not adopt a strategy of hedging to reduce exposure to exchange risk and in recent years has not recorded significant overall gains or losses on foreign exchange movements.

The Group does not hedge the translation of the consolidated profit and loss account or the statement of financial position.

Book values of financial assets and liabilities are not materially different from their fair values.

The Group has the following borrowings:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>243</b>	43
1 to 2 years	-	-
Between 2 and 5 years	-	-
	<b><u>243</u></b>	<u>43</u>

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Currency exposure against companies with a functional currency not in sterling are shown below:

	<b>2009 USD Holdings</b>	<b>2008 USD Holdings</b>
Net Monetary Assets	<u><b>603</b></u>	<u>494</u>

**30 FINANCIAL RISK MANAGEMENT**

The Group's principal financial instruments comprises of cash and bank overdraft. The Group has various other financial assets and liabilities such as trade debtors and trade payables, which arise directly from its operations.

The Group does not enter into forward currency contracts to manage its currency risks arising from operations because the amounts concerned are not material.

It is, and has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policies from managing such risks on a regular basis as summarised below:

**Market risk**

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

**Foreign currency risk**

Foreign currency fluctuation is reduced because our US subsidiary trades in its functional currency. Foreign currency risk arises from that subsidiary remitting funds to the UK.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes in the foreign exchange rates in profit and loss or shareholders' equity. The impact is determined by applying the sensitised foreign exchange rate to the monetary assets and liabilities at the statement of financial position date.

Currency risks as defined by IFRS 7 arise on account of financial instruments being dominated in a currency that is not the functional currency and being of a monetary nature; difference resulting for the translation of financial statements into the Group's presentation currency are not taken into consideration.

A 5% change in the US dollar (USD) against Sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant.

**INSPECTRON HOLDINGS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

30 September 2009		<b>Profit / (loss)</b>	<b>Equity</b>
		<b>£'000</b>	<b>£'000</b>
USD	5% increase	3	18
USD	5% decrease	(4)	(20)

**Interest rate risk**

The Group holds net funds, and hence its interest rate risk is associated with cash deposits. The Group's overall objective is to maintain a balance between accessibility of funds and competitive rates of return. In practice this means that no deposits have been made with a maturity date greater than three months in the course of the year.

For the presentation of market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The Group is exposed to fluctuations in interest rates on its cash and cash equivalents. The impact is determined by applying sensitised interest rates to the cash and overdraft balances.

A 1% increase in the Sterling interest rates would have increased interest expense by approximately £1,700.

**Credit risk**

The Group's principal financial assets are cash equivalents, trade and other receivables. Counterparties for cash equivalents are limited financial institutions which have a high credit rating. The Group trades only with recognised, credit worthy third parties and provides credit to customers in the normal course of business. The amounts shown in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in their recoverability of cash flows. The Group has credit control functions to monitor receivable balances on an ongoing basis. Credit checks are performed before credit is granted to new customers. The Group has no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The exposure to credit risk is mitigated where necessary by payments in advance and on account.

The Group does not require collateral in respect of its financial assets.

**Liquidity risk**

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Group has no significant borrowings from third parties and therefore liquidity risk is not considered a significant risk at this time.

**INSPECTRON HOLDINGS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

**31 NOTES TO THE STATEMENT OF CASH FLOWS**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash generated from/(used in) operations</b>				
Profit/(loss) before income tax	<b>242</b>	122	<b>(39)</b>	(19)
Finance income	<b>(7)</b>	(5)	-	-
Finance costs	<b>7</b>	27	-	1
Foreign exchange (gain)/loss	-	(2)	-	-
Depreciation charge	<b>22</b>	18	<b>7</b>	6
Impairment charge	<b>7</b>	5	-	-
(Profit)/loss on sale of assets	-	1	-	-
<b>Operating cash flows before movement in working capital</b>	<b>271</b>	166	<b>(32)</b>	(12)
(Increase)/decrease in receivables	<b>(33)</b>	337	<b>10</b>	(39)
(Increase)/decrease in inter-company			<b>137</b>	
Increase/decrease in investments			<b>(48)</b>	
(Increase)/decrease in inventories	<b>(31)</b>	(15)	-	-
Increase/(decrease) in payables	<b>(797)</b>	373	<b>(51)</b>	49
Cash generated from operations	<b>(590)</b>	861	<b>16</b>	(2)
Tax refund received/(paid)	<b>(40)</b>	-	-	-
Interest paid	<b>(7)</b>	(27)	-	-
<b>Net cash generated from operations</b>	<b>(637)</b>	834	<b>16</b>	(2)

**32 EXPLANATION OF TRANSITION TO IFRS**

These are the Group's second consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

Explanation of material adjustments to the statement of cash flows:

Changes to the statement of cash flows previously reported under UK GAAP are mainly presentational. For the purpose of the statement of cash flows, cash and cash equivalents comprises cash in hand less overdrafts.

There have been no changes to the figures in the statement of cash flows due to the transition to IFRS.

Explanation of reconciliation from UK GAAP to IFRS for the statement of financial position and income statement:

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS ENDED 30 SEPTEMBER 2009**

The adoption of IFRS by the Group has resulted in some reordering of the presentation of certain balances within both the income statement and statement of financial position.

The adoption has resulted in previous revaluations of property, plant and equipment being deemed as cost and goodwill being assessed annually for impairment neither of which has had any financial effect on the financial statements.

There have been no changes to the figures in the statement of financial position and income statement due to the transition to IFRS.

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**NOTICE OF MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Inspectron Holdings Limited will be held at Corsley Conference Centre, Old School, Deep Lane, Corsley, Wiltshire, BA12 7QF on 8<sup>th</sup> March 2010 at 11.00 a.m. for the following purposes:

	Resolutions on Proxy form
1. To receive the report of the Directors and the audited accounts for the period ended 30 September 2009;	Res. No. 1
2. To re-elect Allan Michael Harle as a Director;	Res. No. 2
3. To reappoint Moore Stephens the retiring auditors and to authorise the Directors to determine their remuneration;	Res. No. 3

BY ORDER OF THE BOARD

**John Edwin Clare**  
SECRETARY

Registered Office  
Apex House  
West End,  
Frome  
Somerset  
BA11 3AS

**Notes:**

**Appointment of proxies**

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form referring to this notice of meeting.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

**Appointment of proxy using hard copy proxy form**

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company at Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and
- received by the Company no later than 5pm on Thursday 4<sup>th</sup> March 2010

**INSPECTRON HOLDINGS LIMITED  
(FORMERLY INSPECTRON HOLDINGS PLC)**

**NOTICE OF MEETING**

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy by joint members**

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

- Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

8. In order to revoke a proxy instruction you will need to inform the Company using the following method:

- By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Ltd, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- The revocation notice must be received by the Company no later than 4<sup>th</sup> March 2010

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

**Communication**

9. Except as provided above, members who have general queries about the Meeting should write to the Company Secretary at the Company's registered office which is Apex House, West End, Frome, Somerset, BA11 3AS (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated. Copies of the Directors service contracts with the Company not expiring or determinable without payment of compensation within one year will be available for inspection at the registered office during normal business hours on any weekday from the date of this notice until the date of the Annual General Meeting and at Corsley

**INSPECTRON HOLDINGS LIMITED  
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**NOTICE OF MEETING**

Conference Centre, Old School, Deep Lane, Corsley, Wiltshire, BA12 7QF at 10 a,m,  
on 8<sup>th</sup> March 2010 until the conclusion of the meeting.