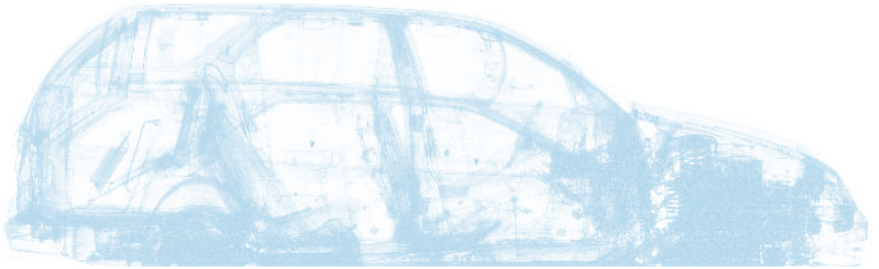


# advanced x-ray systems



## CHAIRMAN'S STATEMENT

### INTRODUCTION

I am pleased to present the Company's interim results for the six months ended 31 March 2010.

### FINANCIAL RESULTS

Revenue for the six months increased by 24% to £922,000 (2009: £743,000). The sales mix has continued to shift away from the industrial sector and towards the security sector. The build cost reduction exercise carried out last year on our standard security systems has resulted in a much improved gross margin of 54% (2009: 44%) for the period. Reduced overheads of £604,000 (2009: £700,000) include £20,000 of costs incurred as a result of moving premises in October 2009 and reflect the benefits of the cost changes made in 2009. These improvements in performance have resulted in a much reduced net loss of £108,000 (2009: loss of £355,000). The loss per share was 0.19 pence (2009: 0.64 pence).

On 26 March 2010 the Company issued 5,569,812 new ordinary shares of 1 pence each to Calculus Nominees Ltd at a price of 2 pence per share. The total proceeds of £111,396 will be used for general working capital purposes. As a result of this placing, Calculus Capital Ltd has a beneficial interest in 12.05% of the Company's issued share capital.

In order to facilitate the flow of orders for standard security systems, the Company has invested both in additional demonstration systems to support our trading partners and increased stock levels of critical long-lead time components to significantly reduce delivery schedules. Capital expenditure associated with the office relocation totalled £33,000. As a result of these factors, and an increased debtors balance at the period-end, the cash balance of £643,000 has fallen by £207,000 since the year end. The Company has an agreed £100,000 overdraft facility with the Royal Bank of Scotland.

### OVERVIEW

Security sales have performed well comprising 85% of total revenue and having increased by 48% compared to the same period last year. This has been underpinned by strong sales of the portable FlatScan-TPXi x-ray scanning system which is sold worldwide to specialist security forces, including, in the period under review, the Swedish Customs, the British Transport Police and a US Government security agency. The latter two organisations also acquired the second generation FlatScan-POD system, a battery-powered mobile screening cabinet which was officially launched in April 2010 at the Counter Terror exhibition in London.

Industrial contracts during the period consisted of a new software platform for the MDXi systems, installed across the Johnson Matthey manufacturing facilities worldwide, and ongoing sales of spares and support.

### OUTLOOK

The Company has been establishing new relationships with agents and distributors, including G4S and IAL Serco, with a view to expanding the routes to market, particularly in territories such as the Middle East, South East Asia and India. Whilst orders to date have related mainly to the FlatScan-TPXi portable x-ray scanning system, there has been growing interest in the small vehicle x-ray inspection system, SVXi. Demonstrations have been carried out at our offices for representatives from the UK Border Agency, Iraq, Kuwait and Brazil.

As of 4 May 2010, the Company appointed a regional sales manager for the UK who brings extensive experience of security sales, particularly from the defence industry.

Whilst activity within the industrial sector has been at a low level, in recent months there have been early signs of renewed interest. The Board believes that the industrial sector will add value in the medium term, so continues to focus on industrial market segments where Image Scan has clear core competencies and where it can partner with sector specialist systems integrators.

In May 2010 the Company launched its new trading company website ([www.3dx-ray.com](http://www.3dx-ray.com)). This incorporates an investor relations section to which enquiries to our corporate website address will be directed.

### STAFF

Our staff are critical to the delivery of high quality x-ray inspection systems that meet customer requirements. Our engineers work closely with the sales team in providing vital technical support to the sales process and at exhibitions. The recent appointment of a new sales executive will support the shift in focus towards becoming a more commercial, market-led business. I would like to take this opportunity to thank the whole team for their loyalty and commitment to the Company and for their positive reaction to the relocation from Melton Mowbray to Loughborough in October 2009.

**BRIAN EMSLIE**  
CHAIRMAN  
18 MAY 2010

## CONSOLIDATED INCOME STATEMENT

### FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Six months ended 31 March 2010 (Unaudited) £'000	Six months ended 31 March 2009 (Unaudited) £'000	Year ended 30 September 2009 (Audited) £'000
<b>REVENUE</b>	<b>922</b>	743	1,444
Cost of sales	(427)	(417)	(751)
<b>GROSS PROFIT</b>	<b>495</b>	326	693
Administrative expenses	(604)	(700)	(1,283)
<b>OPERATING LOSS</b>	<b>(109)</b>	(374)	(590)
Finance revenue	1	19	23
<b>LOSS BEFORE TAXATION</b>	<b>(108)</b>	(355)	(567)
Taxation	—	—	30
<b>LOSS FOR THE PERIOD</b>	<b>(108)</b>	(355)	(537)
	Pence	Pence	Pence
<b>EARNINGS PER SHARE</b>			
Basic and diluted loss per share	0.19	0.64	0.96

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Six months ended 31 March 2010 (Unaudited) £'000	Six months ended 31 March 2009 (Unaudited) £'000	Year ended 30 September 2009 (Audited) £'000
Opening equity shareholders' funds	1,079	1,611	1,611
Issue of shares – at par	56	—	—
Issue of shares – share premium	56	—	—
Share-based payments	2	2	5
Loss attributable to equity shareholders	(108)	(355)	(537)
	<b>1,085</b>	1,258	1,079

# CONSOLIDATED BALANCE SHEET

## AS AT 31 MARCH 2010

	As at 31 March 2010 (Unaudited) £'000	As at 31 March 2009 (Unaudited) £'000	As at 30 September 2009 (Audited) £'000
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	96	116	73
Intangible assets	—	—	—
	<b>96</b>	116	73
<b>CURRENT ASSETS</b>			
Inventories	273	169	233
Trade and other receivables	340	448	216
Cash and cash equivalents	643	929	850
Current tax asset	30	46	30
	<b>1,286</b>	1,592	1,329
<b>TOTAL ASSETS</b>	<b>1,382</b>	1,708	1,402
<b>CURRENT LIABILITIES</b>			
Trade and other payables	(284)	(406)	(300)
<b>NON-CURRENT LIABILITIES</b>			
Provisions for liabilities and charges	(13)	(44)	(23)
<b>TOTAL LIABILITIES</b>	<b>(297)</b>	(450)	(323)
<b>NET ASSETS</b>	<b>1,085</b>	1,258	1,079
<b>EQUITY</b>			
Share capital	613	557	557
Share premium account	7,361	7,305	7,305
Retained earnings	(6,889)	(6,604)	(6,783)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	<b>1,085</b>	1,258	1,079

This interim financial information was approved by the Board of Directors on 18 May 2010.

**LOUISE J GEORGE**  
**CHIEF EXECUTIVE OFFICER**

## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE SIX MONTHS ENDED 31 MARCH 2010

	Six months ended 31 March 2010 (Unaudited) £'000	Six months ended 31 March 2009 (Unaudited) £'000	Year ended 30 September 2009 (Audited) £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating loss	(109)	(374)	(590)
<b>ADJUSTMENTS FOR:</b>			
Depreciation	36	39	75
Increase in inventories	(40)	(15)	(78)
Increase in trade and other receivables	(124)	(294)	(63)
(Decrease)/increase in trade and other payables	(25)	33	(94)
Share-based payment charge	2	2	5
	(260)	(609)	(745)
Corporation tax recovered	—	—	46
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(260)</b>	<b>(609)</b>	<b>(699)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	1	19	24
Purchase of property, plant and equipment	(59)	(15)	(9)
Proceeds on disposal of property, plant and equipment	—	—	—
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(58)</b>	<b>4</b>	<b>15</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of ordinary share capital	111	—	—
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>111</b>	<b>—</b>	<b>—</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(207)</b>	<b>(605)</b>	<b>(684)</b>
Cash and cash equivalents at beginning of period	850	1,534	1,534
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>643</b>	<b>929</b>	<b>850</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2010

### 1 BASIS OF PREPARATION

The interim financial information for the six months ended 31 March 2010 has been prepared under International Financial Reporting Standards ('IFRS') as adopted by the EU in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The interim financial statements have been prepared in accordance with the Company's accounting policies under IFRS and the historical cost convention. The interim financial statements are neither audited nor reviewed, and do not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The comparatives for the financial year ended 30 September 2009 are not the Company's full statutory accounts for the year. The auditors' report on those accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies.

### 2 GOING CONCERN

The interim financial information has been prepared on a going concern basis, which assumes that the Company will have adequate resources to continue in operational existence for the foreseeable future.

### 3 EARNINGS PER SHARE ('EPS')

Basic loss per ordinary share is based on the loss on ordinary activities after taxation of £108,000 and on 55,851,137 ordinary shares in issue throughout the period.

IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss-making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally, and there are no other diluting future share issues, diluted EPS equals basic EPS.

### 4 IFRS 2 'SHARE-BASED PAYMENTS'

Operating expenses includes a charge of £2,000 (2009: £2,000) after valuation of the Company's employee share option schemes in accordance with IFRS 2 'Share-based Payments'. Under this standard, the fair value of the options at the grant date is spread over the vesting period. These items have been added back in the consolidated statement of changes in equity.

### 5 ADDITIONAL COPIES

Further copies of the interim report 2010 are available on the Company's website, [www.ish.co.uk](http://www.ish.co.uk), and from the Company's registered office, 16-18 Hayhill Industrial Estate, Sileby Road, Barrow-upon-Soar, Leicestershire LE12 8LD.