



Advanced x-ray systems

Chairman's statement

BRIAN EMSLIE
CHAIRMAN

Introduction

In recent months there have been signs that the strategy adopted by the Company in the last two years of building a sales team focused on selling standard x-ray security inspection systems whilst pursuing high value industrial opportunities is beginning to come to fruition. Therefore, it is with some regret that in reporting on the Company's interim results for the six months ended 31 March 2011, the impact of the increased order intake during the period is not reflected in these first half results.

Financial results

Revenue for the six months was down 16% to £772,000 (2010: £922,000) and reflected a sales mix of security, industrial and nuclear contracts, reversing the recent trend of sales being predominantly from the security sector. This change of mix is reflected in the gross margin moving from 54% to 41% in the period.

Overheads were reduced further to £582,000 (2010: £604,000) with an increase in headcount being countered by the one-off costs of moving offices and establishing a new website incurred in 2010. The resultant net loss was £266,000 (2010: loss £108,000) and the loss per share was 0.43p (2010: loss 0.19p).

Delivery of standard systems from stock has required the Company to increase its stock levels to meet customer delivery expectations. This level of stock requirement has inevitably placed pressure on the working capital position, and this will increasingly be the case as the product range is extended further. Coupled with the loss for the period, the cash balance has fallen by £151,000 since the year end to £197,000. The Company has an agreed £100,000 overdraft facility with the Royal Bank of Scotland.

Overview

Security revenue arose predominately from the FlatScan system and reflected the efforts of the sales team to build up sales channels into new territories offering standard security products to a wider range of potential end users. Meanwhile, the security market in Europe has been weakened through the reduction in public spending, such that sales into this territory have receded. In March 2011 the Company launched its new smaller panel version of the FlatScan system, FlatScan-15, for which orders have already been secured.

The Company has continued to offer tailored solutions within the industrial and nuclear sectors to meet strategic high value opportunities. This approach has resulted in

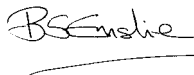
industrial revenue of £535,000 during the period which included the extension to the new MDXi software platform, a small nuclear contract, and work in progress on the build of two industrial MDXi-NT systems and a major nuclear contract.

Outlook

The Company's current year order intake stands at £1.8 million. This represents £1,160,000 of industrial orders including two nuclear contracts totalling £830,000 and two further orders totalling £330,000 from another key industrial customer which is very encouraging given the lack of activity in the industrial market in the previous two years. The remainder represents orders of standard security products comprising numerous smaller orders mainly from developing markets in the Middle East and Asia.

Despite a disappointing first half, the Board is encouraged by the visibility on current orders and expected sales for the current year. With the brought forward order book of £90,000, and the expectation of £400,000 being delivered in the financial year ended September 2012, known contracted sales deliverable in the current financial year stand at £1.5 million, which already exceeds the total sales achieved for the year ended 30 September 2010.

Continued focus on cost management and careful management of assets and cash flows have enabled the Company to achieve its change in strategy. However, with the cash balance standing at £114,000 on 16 May 2011, the Directors believe that the proceeds of the proposed placing announced today will provide the necessary additional working capital to allow the Company more flexibility in fulfilling its order book and moving towards achieving its key short term goal of breakeven. The placing is for the issue of 15,000,000 new ordinary shares at 2p to a strategic investor based in Hong Kong. The Board understands that the investor believes there are opportunities for the Company's products in Asia and wishes to invest in the Company to provide the focus for both reducing the cost of key components through overseas sourcing and for opening up routes to market in the region.



Brian Emslie
Chairman
17 May 2011

Consolidated income statement

FOR THE SIX MONTHS ENDED 31 MARCH 2011

	Six months ended 31 March 2011 (Unaudited) £'000	Six months ended 31 March 2010 (Unaudited) £'000	Year ended 30 September 2010 (Audited) £'000
Revenue	772	922	1,472
Cost of sales	(456)	(427)	(666)
Gross profit	316	495	806
Administrative expenses	(582)	(604)	(1,218)
Operating loss	(266)	(109)	(412)
Finance revenue	–	1	2
Loss before taxation	(266)	(108)	(410)
Taxation	–	–	28
Loss for the period	(266)	(108)	(382)
	Pence	Pence	Pence
Earnings per share			
Basic and diluted loss per share	0.43	0.19	0.65

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 MARCH 2011

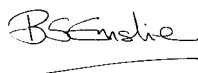
	Six months ended 31 March 2011 (Unaudited) £'000	Six months ended 31 March 2010 (Unaudited) £'000	Year ended 30 September 2010 (Audited) £'000
Opening equity shareholders' funds	814	1,079	1,079
Issue of shares - at par	–	56	56
Issue of shares - share premium	–	56	56
Share-based payments	2	2	5
Loss attributable to equity shareholders	(266)	(108)	(382)
	550	1,085	814

Consolidated balance sheet

AS AT 31 MARCH 2011

	As at 31 March 2011 (Unaudited) £'000	As at 31 March 2010 (Unaudited) £'000	As at 30 September 2010 (Audited) £'000
Non-current assets			
Plant and equipment	43	96	49
Intangible assets	–	–	–
	43	96	49
Current assets			
Inventories	320	273	273
Trade and other receivables	460	340	320
Cash and cash equivalents	197	643	348
Current tax asset	–	30	28
	977	1,286	969
Total assets	1,020	1,382	1,018
Current liabilities			
Trade and other payables	459	(284)	197
Non-current liabilities			
Provisions for liabilities and charges	11	(13)	7
Total liabilities	470	(297)	204
Net assets	550	1,085	814
Equity			
Share capital	613	613	613
Share premium account	7,361	7,361	7,361
Retained earnings	(7,424)	(6,889)	(7,160)
Equity shareholders' funds	550	1,085	814

This interim financial information was approved by the Board of Directors on 17 May 2011.



Brian S Emslie
Chairman

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 31 MARCH 2011

	Six months ended 31 March 2011 (Unaudited) £'000	Six months ended 31 March 2010 (Unaudited) £'000	Year ended 30 September 2010 (Audited) £'000
Cash flows from operating activities			
Operating loss	(266)	(109)	(412)
Adjustments for:			
Depreciation	21	36	71
Loss on sale of property, plant and equipment	–	–	2
Increase in inventories	(47)	(40)	(40)
Increase in trade and other receivables	(140)	(124)	(103)
Increase/(decrease) in trade and other payables	266	(25)	(119)
Share-based payment charge	2	2	5
Net cash used in operating activities	(164)	(260)	(596)
Corporation tax recovered	28	–	31
Net cash outflow from operating activities	(136)	(260)	(565)
Cash flows from investing activities			
Interest received	–	1	2
Purchase of property, plant and equipment	(17)	(59)	(50)
Proceeds on disposal of property, plant and equipment	2	–	–
Net cash outflow from investing activities	(15)	(58)	(48)
Cash flows from financing activities			
Issue of ordinary share capital	–	111	111
Net cash from generated from financing activities	–	111	111
Net decrease in cash and cash equivalents	(151)	(207)	(502)
Cash and cash equivalents at beginning of period	348	850	850
Cash and cash equivalents at end of period	197	643	348

Notes to the unaudited interim financial statements

FOR THE SIX MONTHS ENDED 31 MARCH 2011

1 Basis of preparation

The interim financial information for the six months ended 31 March 2011 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 2010 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 £266,000 and on 61,267,932 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 (2010: £2,000) after valuation of the Company's employee share option schemes in accordance with IFRS 2. 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 2011 are available on the Company's website, www.ish.co.uk, and from the Company's registered office, 16-18 Hayhill Industrial Estate, Sibley Road, Barrow-upon-Soar, Leicestershire LE12 8LD.