

INDUSTRIAL INSPECTION
EOD EVALUATION VEHICLE SCANNING
THREAT DETECTION
CUSTOMS CONTROL



Advanced x-ray systems



Corporate statement

Image Scan Holdings plc is a specialist in real-time x-ray technology operating globally in the security and industrial inspection markets.

The Group's principal activity is the design, build and supply of portable, rapid deployment and static, advanced x-ray security screening systems to Governments, security organisations and law enforcement agencies and of high-quality image acquisition systems for non-destructive testing to commercial organisations worldwide.

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Chairman's statement

BILL MAWER
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

“These results show positive improvement over the equivalent period in the prior year, and the growth in sales in the core portable x-ray market is particularly encouraging.”

Introduction

I am pleased to report my first set of results as Chairman and Chief Executive Officer of Image Scan. Image Scan remains focused on the development and commercialisation of market leading real-time x-ray solutions for use in the global security and industrial inspection markets. The Company's Security portfolio includes the Axis range of conveyor systems; the FlatScan range of portable bomb and suspect package detection systems; and SVXi, a small vehicle inspection system. The Industrial Inspection solutions include the MDXi product range, cabinet x-ray systems for laboratories and production lines.

Financial results

I am pleased to report that revenue for the six months has increased by 57% to £1,678,000 (2013: £1,072,000) based on strong sales across the whole security product portfolio. The gross margin of 31% (2013: 32%) reflected two significant security contracts which were subject to highly competitive tendering processes and the recognition of a further £30,000 (2013: £112,000) of losses against the nuclear contract.

Following the restructuring exercise carried out in May 2013, the comparative overheads for the period were down by 22% to £576,000 (2013: £740,000). As a result, the Company has made a loss after tax of £36,000 (2013: £389,000). The loss per share was 0.05p (2013: 0.5p).

The cash position as at the end of the period was £25,000 (2013: £138,000). The Company has an agreed £100,000 overdraft facility with the Royal Bank of Scotland. The current bank balance is £190,000.

Overview

Security accounted for 85% of total sales. Security revenue in the period was £1,427,000 (2013: £546,000) with increased levels of sales reported against each of the conveyor, portable and vehicle screening product ranges. First half sales of both the conveyor and portable products included a number of multiple unit contracts.

Industrial revenue of £251,000 (2013: £526,000) comprised 15% of total revenue and included the sale of a cabinet x-ray system to an existing customer and further deliverables on the nuclear contract. The nuclear customer has accepted delivery of the system and the final phases relate to installation, commissioning and training at the customer's site. Key software engineering resources previously engaged on this contract have now been refocused on the development of the core product range.

Chairman's statement continued

Overview continued

Subsequent to the period end, the following Board appointments were made to strengthen the technology lead and provide greater strategic focus:

- Bill Mawer, as Chairman and Chief Executive Officer, who has 13 years' experience with Smiths Detection and is a specialist in product development and market strategy; and
- Dr Richard Leaver, as Non-executive Director, who has extensive international experience of developing and sustaining value in technology-rich growth businesses at all stages of investment.
- extend the portable range to include both higher and lower-end solutions, giving the Company, for the first time, a competitive product in each market segment;
- co-development, with an experienced partner, of a highly competitive range of checkpoint x-ray systems to replace the current Axis products;
- recruit an additional security sales manager and development of the sales network to provide geographical coverage of all important security x-ray markets; and
- recruit a dedicated sales manager for industrial sales, in order to expand the Company's potentially valuable market position.


Outlook

The Company has total confirmed orders in the year to date of £2.3m, having started the year with an opening order book of £1.2m and secured new orders of £1.1m. All outstanding orders are deliverable in the current financial year. Whilst the revenue in the first half of the year was on target, performance in the second half will be reliant on the supply of a newly developed portable generator to replace the existing system which is no longer available.

As a result of the commitment of a limited resource base to the nuclear contract over the last three years the Company's R&D activities have been restricted to modest incremental development. The Board recognises the need to expand the product range and has been reviewing what additional inputs are required to accelerate product development. The strategy that I have been developing since becoming involved with the Company in late 2013 will be to support carefully targeted growth in R&D and sales activity to include the following projects:

- complete the renewal of the existing portable x-ray product range to restore its competitive edge;

Image Scan has a strong brand in its core markets and loyal distributors and customers. Over-commitment of its limited R&D resources in recent years has caused a decline in competitiveness which is now being addressed. The staff at Image Scan are enthusiastic, dedicated and creative and on behalf of my fellow Board members and shareholders, I would like to formally thank our staff for their contribution during this period.



Bill Mawer
Chairman and Chief Executive Officer
 12 June 2014

Consolidated income statement

FOR THE SIX MONTHS ENDED 31 MARCH 2014

	Note	Six months ended 31 March 2014 (Unaudited) £'000	Six months ended 31 March 2013 (Unaudited and restated) £'000	Year ended 30 September 2013 (Audited) £'000
Revenue		1,678	1,072	2,538
Cost of sales	2	(1,161)	(731)	(1,587)
Gross profit		517	341	951
Administrative expenses	2	(576)	(740)	(1,293)
Operating loss		(59)	(399)	(342)
Finance revenue		–	–	–
Loss before taxation		(59)	(399)	(342)
Taxation		23	10	45
Loss for the period		(36)	(389)	(297)
		Pence	Pence	Pence
Earnings per share				
Basic and diluted loss per share	4	(0.05)	(0.50)	(0.39)

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 MARCH 2014

	Note	Six months ended 31 March 2014 (Unaudited) £'000	Six months ended 31 March 2013 (Unaudited) £'000	Year ended 30 September 2013 (Audited) £'000
Opening equity shareholders' funds		677	977	977
Share-based payments	5	–	–	(3)
Loss attributable to equity shareholders		(36)	(390)	(297)
		641	587	677

Consolidated statement of financial position

AS AT 31 MARCH 2014

	As at 31 March 2014 (Unaudited) £'000	As at 31 March 2013 (Unaudited) £'000	As at 30 September 2013 (Audited) £'000
Non-current assets			
Plant and equipment	16	31	22
Intangible assets	–	–	–
	16	31	22
Current assets			
Inventories	352	650	458
Trade and other receivables	651	240	1,120
Cash and cash equivalents	25	138	12
Current tax asset	59	–	36
	1,087	1,028	1,626
Total assets	1,103	1,059	1,648
Current liabilities			
Trade and other payables	440	426	928
Non-current liabilities			
Provisions for liabilities and charges	22	46	43
Total liabilities	462	472	971
Net assets	641	587	677
Equity			
Share capital	763	763	763
Share premium account	7,501	7,501	7,501
Retained earnings	(7,623)	(7,677)	(7,587)
Equity shareholders' funds	641	587	677

This interim financial information was approved by the Board of Directors on 12 June 2014.



Bill Mawer
Chairman and Chief Executive Officer

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 31 MARCH 2014

	Six months ended 31 March 2014 (Unaudited) £'000	Six months ended 31 March 2013 (Unaudited) £'000	Year ended 30 September 2013 (Audited) £'000
Cash flows from operating activities			
Operating loss	(59)	(400)	(342)
Adjustments for:			
Depreciation	7	11	21
Transfer of fixed assets to stock	2	–	4
Decrease/(increase) in inventories	106	(237)	(46)
Decrease in trade and other receivables	469	548	2
(Decrease)/increase in trade and other payables	(509)	60	224
Share-based payment charge	–	–	(2)
Net cash generated from/(used in) operating activities	16	(18)	(139)
Corporation tax recovered	–	85	85
Net cash inflow/(outflow) from operating activities	16	67	(54)
Cash flows from investing activities			
Purchase of property, plant and equipment	(3)	(3)	(8)
Net cash used in investing activities	(3)	(3)	(8)
Net increase/(decrease) in cash and cash equivalents	13	64	(62)
Cash and cash equivalents at beginning of period	12	74	74
Cash and cash equivalents at end of period	25	138	12

Notes to the unaudited interim financial statements

FOR THE SIX MONTHS ENDED 31 MARCH 2014

1 Basis of preparation

The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 30 September 2014 and in accordance with recognition and measurement principles of International Financial Reporting Standards ('IFRSs') as endorsed by the European Union. The accounting policies applied in the preparation of these interim financial statements are consistent with those used in the financial statements for the year ended 30 September 2013.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim financial reporting'. Accordingly, whilst the interim statements have been prepared in accordance with IFRS, they cannot be construed as being in full compliance with IFRSs.

The financial information for the year ended 30 September 2013 does not constitute the full statutory accounts for that period. The annual report and financial statements for the year ended 30 September 2013 have been filed with the Registrar of Companies. The Independent auditor's report on the report and financial statements for the year ended 30 September 2013 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2 Losses on nuclear contract

In the 2013 interim results, the loss of £112,000 on the nuclear contract was reported as an exceptional item within administrative expenses. This was subsequently accounted for as cost of sales in the full statutory accounts for the year ended 2013. The comparative 2013 numbers in the 2014 interim results reflect this same treatment, giving cost of sales of £731,000 and administrative expenses of £740,000 (previously reported as £619,000 and £852,000 respectively).

3 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.

4 Earnings per share ('EPS')

Basic earnings per ordinary share is based on the loss on ordinary activities after taxation of £36,000 and on 76,267,932 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. Earnings or loss per share would not be affected by the exercise of out-of-the-money options since it is inappropriate to assume that option holders would act irrationally. Accordingly as there are no other diluting future share issues, diluted EPS equals basic EPS.

5 IFRS 2 'Share-based payments'

Operating expenses includes a charge of £nil (2013: £nil) 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.

6 Additional copies

Further copies of the 2014 interim report 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.

Professional advisers

Directors

Bill Mawer

Chairman and Chief Executive Officer

Vincent Deery

Sales and Marketing Director

Dr Richard Leaver

Non-executive Director

Company Secretary

Louise J George

Registered Office

16-18 Hayhill
Sibley Road
Barrow-upon-Soar
Leicestershire LE12 8LD

Company Number

03062983

Nominated Adviser and Stockbroker

Cantor Fitzgerald Europe

One Churchill Place
Canary Wharf
London EC14 5RD

Principal Bankers

Royal Bank of Scotland plc

8 South Parade
Nottingham NG1 2JS

Solicitors

Browne Jacobson

Mowbray House
Castle Meadow Road
Nottingham NG2 1BJ

Registrars

Neville Registrars Ltd

Neville House
18 Laurel Lane
Halesowen
West Midlands B63 3DA

Auditors

Wilkins Kennedy

Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London SE1 9QR

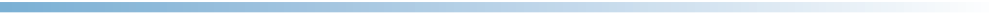


Image Scan Holdings plc

16-18 Hayhill
Sileby Road
Barrow-upon-Soar
Leicestershire LE12 8LD

Tel: +44 (0)1509 817 400
Fax: +44 (0)1509 817 401

ir@ish.co.uk
www.ish.co.uk