

INDUSTRIAL INSPECTION

EOD EVALUATION

VEHICLE SCANNING

THREAT DETECTION

CUSTOMS CONTROL



# Advanced X-ray systems



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## Corporate statement

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**Image Scan Holdings plc is a specialist in innovative real-time X-ray technology operating globally in the security and industrial inspection sectors.**

The Group's principal activity is the design, manufacture and supply of both portable and fixed X-ray security screening systems to governments, security organisations and law enforcement agencies. The Group also supplies high-quality image acquisition systems for non-destructive testing to commercial organisations worldwide.

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## Chairman's statement

**BILL MAWER**  
CHAIRMAN

### “New portable X-ray system launched.”

#### Introduction

Image Scan Holdings plc is a specialist in innovative real-time X-ray technology, operating globally in the security and industrial inspection sectors. The Group's principal activity is the design, manufacture and supply of both portable and fixed X-ray security screening systems to governments, security organisations and law enforcement agencies. The Group also supplies high-quality image acquisition systems for non-destructive testing to commercial organisations worldwide.

#### Financial results

Revenue for the six months ended 31 March 2015 was significantly down over the period at £863,000 (2014: £1,678,000), with 77% of sales (2014: 85%) coming from the security market. Of this, only £362,000 (2014: £752,000) came from portable X-ray systems, reflecting the delayed availability of the replacement portable X-ray generator from our US-based supplier. However, gross margin improved to 36% (2014: 31%) supported by high margin service contracts on industrial systems.

An increased focus and investment in research and development saw expenditure more than double to £219,000 (2014: £95,000). Overhead expenses were carefully controlled and remained approximately flat at £478,000 (2014: £481,000). An operating loss of £387,000 (2014: £59,000) was somewhat ameliorated by research and development tax credits of £52,000 (2014: £23,000) giving a loss after tax of £335,000 (2014: £36,000).

The Company held £455,000 (2014: £25,000) cash at the end of the period.

#### Overview

The portable X-ray development programme, which includes the external development of X-ray generators and the internal development of detector panels and software, proceeded more slowly than planned during the period and the resultant delays in availability of these new systems to the sales team impacted order intake. However, these systems have now been shown at the Counter Terror Expo at Olympia and sparked high levels of interest from customers. The Axis conveyor X-ray systems achieved strong order intake over the period with orders for 22 units added to the 14 units that were carried forward into the reporting period. 13 of these units were sold in the period with the remainder due for delivery in the second half of the year.

An experienced operations manager was recruited and has already contributed to both on-time delivery and cost control.

A single industrial testing unit was sold to the Company's main automotive customer; whilst service revenue was strong at £125,000 (2014: £50,000).

## Chairman's statement continued

**BILL MAWER**  
CHAIRMAN

### Outlook

The portable X-ray market remains strong, driven by concerns over a variety of terrorist threats, not least those from ISIS and the potential for ISIS trained militants to return to their country of origin. A number of countries are planning large multi-unit procurements. Demonstrator models for the new portable X-ray systems are starting to be deployed worldwide through the sales team and the distributor network in order to drive early uptake. This effort has been supported by recruitment of an experienced security sales manager who is starting to develop the European portable X-ray market.

Strong demand for the Axis system supports the desirability of re-engineering this system.

The Company is currently working on a new strategy for the industrial inspection market. Overall growth in the automotive sector, where most of Image Scan's units are placed, remains strong with KPMG forecasting 5% CAGR<sup>(1)</sup> over the next five years. The new strategy will be focused on improvements to both product range and routes to market in this sector.

With the launch of the new portable X-ray products, I am confident that we now have a highly competitive range of systems and an excellent route to market. I intend for portable X-ray to be the foundation of the Company's recovery and growth and the basis from which we develop our position in adjacent markets. 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**  
**2 June 2015**

(1) KPMG report "Global Automotive Retail Market"  
– September 2013.

## Consolidated income statement

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Note	Six months ended 31 March 2015 (Unaudited) £'000	Six months ended 31 March 2014 (Unaudited) £'000	Year ended 30 September 2014 (Audited) £'000
<b>Revenue</b>		<b>863</b>	1,678	2,195
Cost of sales		<b>(553)</b>	(1,161)	(1,522)
<b>Gross profit</b>		<b>310</b>	517	673
Administrative expenses		<b>(697)</b>	(576)	(1,197)
<b>Operating loss</b>		<b>(387)</b>	(59)	(524)
Finance revenue		–	–	1
<b>Loss before taxation</b>		<b>(387)</b>	(59)	(523)
Taxation		<b>52</b>	23	72
<b>Loss for the period</b>		<b>(335)</b>	(36)	(451)
		<b>Pence</b>	Pence	Pence
<b>Earnings per share</b>				
Basic and diluted loss per share	3	<b>(0.27)</b>	(0.05)	(0.57)

## Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Note	Six months ended 31 March 2015 (Unaudited) £'000	Six months ended 31 March 2014 (Unaudited) £'000	Year ended 30 September 2014 (Audited) £'000
Opening equity shareholders' funds		<b>1,156</b>	677	677
Shares issued during the year		–	–	970
Shares issued during the year in payment of creditors		–	–	35
Share issue costs		–	–	(78)
Share-based payments	4	<b>5</b>	–	3
Loss attributable to equity shareholders		<b>(335)</b>	(36)	(451)
		<b>826</b>	641	1,156

## Consolidated statement of financial position

AS AT 31 MARCH 2015

	As at 31 March 2015 (Unaudited) £'000	As at 31 March 2014 (Unaudited) £'000	As at 30 September 2014 (Audited) £'000
<b>Non-current assets</b>			
Plant and equipment	5	16	8
	<b>5</b>	16	8
<b>Current assets</b>			
Inventories	659	352	331
Trade and other receivables	459	651	182
Cash and cash equivalents	455	25	948
Current tax asset	124	59	72
	<b>1,697</b>	1,087	1,533
<b>Total assets</b>	<b>1,702</b>	1,103	1,541
<b>Current liabilities</b>			
Trade and other payables	845	440	363
<b>Non-current liabilities</b>			
Provisions for liabilities and charges	31	22	22
<b>Total liabilities</b>	<b>876</b>	462	385
<b>Net assets</b>	<b>826</b>	641	1,156
<b>Equity</b>			
Share capital	1,256	763	1,256
Share premium account	7,935	7,501	7,935
Retained earnings	(8,365)	(7,623)	(8,034)
<b>Equity shareholders' funds</b>	<b>826</b>	641	1,156

This interim financial information was approved by the Board of Directors on 2 June 2015.



**Bill Mawer**  
Chairman and Chief Executive Officer

## Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 31 MARCH 2015

	Six months ended 31 March 2015 (Unaudited) £'000	Six months ended 31 March 2014 (Unaudited) £'000	Year ended 30 September 2014 (Audited) £'000
<b>Cash flows from operating activities</b>			
Operating loss	(387)	(59)	(524)
<b>Adjustments for:</b>			
Depreciation	3	7	13
Impairment of inventories	10	–	45
Transfer of fixed assets to stock	–	–	–
Increase in provision for warranty	9	–	–
(Increase)/decrease in inventories	(338)	106	83
(Increase)/decrease in trade and other receivables	(277)	469	938
Increase/(decrease) in trade and other payables	482	(509)	(585)
Share-based payment charge	5	–	38
<b>Net cash (used in)/generated from operating activities</b>	<b>(493)</b>	16	14
Corporation tax recovered	–	–	36
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(493)</b>	16	50
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	–	(3)	(6)
<b>Net cash used in investing activities</b>	<b>–</b>	(3)	(6)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	–	–	970
Financial costs of fundraising	–	–	(78)
<b>Net cash from financing activities</b>	<b>–</b>	–	892
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(493)</b>	13	936
Cash and cash equivalents at beginning of period	948	12	12
<b>Cash and cash equivalents at end of period</b>	<b>455</b>	25	948

# Notes to the unaudited interim financial statements

FOR THE SIX MONTHS ENDED 31 MARCH 2015

## 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 2015 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 2014.

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 IFRSs, they cannot be construed as being in full compliance with IFRSs.

The financial information for the year ended 30 September 2014 does not constitute the full statutory accounts for that period. The annual report and financial statements for the year ended 30 September 2014 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 2014 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 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 earnings per ordinary share is based on the loss on ordinary activities after taxation of £335,000 and on 125,604,577 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.

## 4 IFRS 2 'Share-based payments'

Operating expenses includes a charge of £5,000 (2014: £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.

## 5 Additional copies

Further copies of the 2015 interim report 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.

## Professional advisers

### Directors

**William Mawer**

Executive Chairman/Chief Executive Officer

**Vincent Deery**

Sales and Marketing Director

**Richard Leaver**

Non-executive Director

**Timothy Jackson**

Non-executive Director

**Company Secretary**

Sarah Atwell-King

**Registered Office**

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