

IMAGE SCAN HOLDINGS PLC

INTERIM REPORT 31 MARCH 2016

Chairman's statement

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 2016 of £1,372k (2015: £863k) represented a significant increase over the prior period. Security sales were £741k (2015: £669k). There was a significant change in security product mix, with almost double the number of portable X-ray units being sold, including two significant multi-unit orders. These increases in portable unit sales offset a decrease in the number of Axis Conveyor systems sold and lead to an improved gross margin for security of 41% (2015: 32%). Industrial sales were £631k (2015: £194k) reflecting an increase of activity in this area.

Overheads were tightly managed at £670k (2015: £697k). The post-tax loss in the business narrowed significantly to £44k (2015: £335k) while growth in orders seen at the end of the previous financial year continued with new orders received during the period totalling £1,314k (2015: £977k) leaving the Company with a period end order book of £634k (2015: £536k).

The company held £532k in cash at the period end (2015: £455k).

Overview

The sales team have continued to demonstrate our range of portable X-ray systems to customers and partners around the world. Important new customers, who have placed their first orders for these systems, have been found in the Middle East, Canada and Europe. The research and development team is working to further extend the portable X-ray products range. This activity includes the development of the Precision Linescan Detector with our partner Ibex Innovations. This Government supported programme continues to make good progress and high resolution images of complex objects have already been produced.

The industrial inspection business area, focussed on scanning catalytic converters and diesel particulate filters in the automotive industry, continues to grow with 3 units in the order book at the period end. Additionally, orders totalling approximately £150k for customer funded development are allowing additional features to be added to these systems.

The nuclear project, which had a negative impact on company performance for a number of years, has completed all its milestones and reached the end of its warranty period and an ongoing support contract has been put in place with the end user.

The Company's commitment to process improvement and quality continues and in December 2015 our quality systems were recertified by an independent assessor as compliant to ISO 9001.

Outlook

The market for security X-ray systems remains strong, reflecting the existence of a continuing terrorist threat and the impact of recent incidents in Paris and Brussels. This has led to multi-unit procurements of our portable X-ray systems and we have submitted tenders against Government requirements for further multi-unit orders on which decisions are expected in the second half of FY 2015/16. Discussions with current and potential customers support the requirement for the Precision Linescan Detector and we remain confident that this system will do well following its anticipated launch in financial year 2017.

In the industrial area we believe that increased demands for in-line quality assurance in the manufacture of automotive emission control systems will continue to drive demand for Image Scan's suite of inspection products. We are enhancing the product range through a combination of customer funded and self-funded research and development.

Although we start the second half of the year with a healthy order book, the business will be focussed on continuing the momentum so far achieved, winning further orders and supporting the continued development of new products. The staff at image Scan are enthusiastic, dedicated and creative and on behalf of my fellow Board members, I would like to formally thank our staff for their contribution during this period.

Bill Mawer

Chairman and Chief Executive Officer

19/04/2016

Consolidated income statement

For the six months ended 31 March 2016

	Six months ended 31 March 2016 (Unaudited) £'000	Six months ended 31 March 2015 (Unaudited) £'000	Year ended 30 September 2015 (Audited) £'000
	Note		
Revenue	1,372	863	1,707
Cost of sales	(766)	(553)	(1,058)
Gross profit	606	310	649
Administrative expenses	(670)	(697)	(1,290)
Operating loss	(64)	(387)	(641)
Finance revenue	-	-	1
Loss before taxation	(64)	(387)	(640)
Taxation	20	52	90
Loss for the period	(44)	(335)	(550)
		Pence	Pence
Earnings per share			
Basic and diluted loss per share	[3]	(0.04)	(0.27)
			Pence

Consolidated statement of changes in equity

For the six months ended 31 March 2016

	Six months ended 31 March 2016 (Unaudited)	Six months ended 31 March 2015 (Unaudited)	Year ended 30 September 2015 (Audited)	
	Note	£'000	£'000	£'000
Opening equity shareholders' funds		617	1,156	1,156
Shares issued during the year		-	-	-
Share issue costs		-	-	-
Share-based payments	[4]	8	5	11
Loss attributable to equity shareholders		(44)	(335)	(550)
		581	826	617

Consolidated statement of financial position

As at 31 March 2016

	As at 31 March 2016 (Unaudited) £'000	As at 31 March 2015 (Unaudited) £'000	As at 30 September 2015 (Audited) £'000
Non-current assets			
Plant and equipment	11	5	4
	11	5	4
Current assets			
Inventories	459	659	571
Trade and other receivables	334	459	294
Cash and cash equivalents	532	455	469
Current tax asset	20	124	90
	1,345	1,697	1,424
Total assets	1,356	1,702	1,428
Current liabilities			
Trade and other payables	742	845	778
Non-current liabilities			
Provisions for liabilities and charges	33	31	33
Total liabilities	775	876	811
Net assets	581	826	617
Equity			
Share capital	1,256	1,256	1,256
Share premium account	7,935	7,935	7,935
Retained earnings	(8,610)	(8,365)	(8,574)
Equity shareholders' funds	581	826	617

This interim financial information was approved by the Board of Directors on 18/04/2016.

Bill Mawer

Chairman and Chief Executive Officer

Consolidated cash flow statement

For the six months ended 31 March 2016

	Six months ended 31 March 2016 (Unaudited) £'000	Six months ended 31 March 2015 (Unaudited) £'000	Year ended 30 September 2015 (Audited) £'000
Cash flows from operating activities			
Operating loss	(64)	(387)	(641)
Adjustments for:			
Depreciation	2	3	5
Impairment of inventories	10	10	18
Increase in provision for warranty	-	9	12
Decrease/(increase) in inventories	102	(338)	(258)
(Increase) in trade and other receivables	(40)	(277)	(112)
(Decrease)/increase in trade and other payables	(36)	482	414
Share-based payment charge	8	5	11
Net cash (used) in operating activities	(18)	(493)	(551)
Corporation tax recovered	90	-	72
Net cash inflow/(outflow) from operating activities	72	(493)	(479)
Cash flows from investing activities			
Interest Received	-	-	1
Purchase of property, plant and equipment	(9)	-	(1)
Net cash used in investing activities	(9)	-	-
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	-
Financial costs of fundraising	-	-	-
Net cash from financing activities	-	-	-
Net (decrease)/ increase in cash and cash equivalents	63	(493)	(479)
Cash and cash equivalents at beginning of period	469	948	948
Cash and cash equivalents at end of period	532	455	469

Notes to the unaudited interim financial statements

For the six months ended 31 March 2016

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 2016 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 2015.

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 2015 does not constitute the full statutory accounts for that period. The annual report and financial statements for the year ended 30 September 2015 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 2015 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 £43,845 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 £8,492 (2015: £5,000) 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 2016 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, Sileby Road, Barrow-upon-Soar, Leicestershire LE12 8LD.

Professional advisers

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Non-executive Director

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