

**Image Scan Holdings plc**

**Interim report 2021**

**Chairman’s statement**

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**Introduction**

Image Scan Holdings plc is a specialist in innovative X-ray technology, operating globally in the security and industrial inspection sectors. The Company’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 Company also supplies high-quality image acquisition systems for non-destructive testing to commercial organisations worldwide.

**Financial results**

Revenues for the six months ended 31 March 2021 declined to £868k (2020: £2.3m) reflecting the low opening order book of £633k and the fact that much of the order intake of £938k (2020: £1.5m) arrived towards the end of the period. We saw delays in a number of important projects as Governments worldwide continued to focus on battling the pandemic. However, a key new portable X-ray project, one of those directly delayed by COVID-19, was won after the period end.

A favourable mix of sales lead to an improvement in gross margin to 55% (2020: 45%). Costs were carefully managed, and we received £32k from the Government furlough scheme to support salaries in quiet periods, allowing us to reduce overheads by 20% to £682k (2020: £840k). The loss for the period was £201k (2020: profit of £180k).

The Company finished the period with an orderbook of £702k (2020: £933k) and positive cash balance of £1m (2020: £1.1m). Trading in the first part of April, brought the orderbook to £1.5m at April 27th.

**Overview**

While overall order intake for security systems was at a disappointing level in the period, the orders received did include some notable wins. Examples include: a follow-on order for portable X-ray systems from a major global NGO, who uses our scanners to support its worldwide operations; a first order for a conveyor X-ray system for a customer in the USA, as well as previously announced orders in the UK and Canada. Since the period end, we have received a large contract for portable X-ray systems and the first order for the new Axis-CXi cabinet X-ray screening system, both from customers in Asia

While we have been concerned about the impact of the pandemic on our automotive customers, it is reassuring to have received orders for two new industrial screening systems and to be working on the implementation of new X-ray measurement techniques under a customer funded software development contract.

Our access to global security markets is a key strength of the Company and it has been pleasing to see our investment in appointing a sales consultant in North America bear fruit with new customers in both Canada and the USA. We have also won orders from new customers in Eastern Europe and Asia.

Servicing our large installed base of industrial screening systems has presented a challenge through the pandemic, but we have adapted to this situation through customer training, increased remote machine access and recruitment of overseas service partners.

We continue to invest in our product range and the launch of the Axis-CXi cabinet X-ray scanner in October 2020 was a significant milestone. This system brings new levels of performance to the cabinet X-ray market and we are pleased by the level of customer interest. We expect to have a number of variants of our conveyor X-ray system fully on the market in the next few months. We are exploring new X-ray detection and image processing techniques to further strengthen the differentiation of our products in the security X-ray marketplace.

**Outlook – COVID-19 and beyond**

The path of the Covid-19 pandemic continues to be unpredictable. Two places where the disease is currently most prevalent are India and Brazil, one a longstanding market for the Company, the other a more recent addition for which we have high hopes for the future. In other parts of the world, the disease has subsided, and more normal levels of activity are starting to return. The new portable X-ray order described above will be delivered in the second half and so we remain cautiously optimistic for an improved performance in the second half and that we can trade in line with market expectations for the year as a whole.

Our strategy continues to be focussed on expansion of the product range so that, as market activity returns to more normal levels, we are well placed to capitalise, offering the broader product range through our excellent network of local partners. Our product development strategy meets several goals: the maintenance and upgrade of existing products, for which recently launched Wi-Fi range extenders for portable X-ray systems would be an example; the broadening of current product ranges to include multiple formats for different users, and, lastly the development of new product ranges such as the recent addition of new conveyor X-ray systems. The partner network continues to expand, and this has led to the recent acquisition of promising new customers in several regions.

To better support the sales activity in an environment where travel is difficult or impossible, we are currently building a demonstration room at our facility that will be fully equipped to support on-site visits, attendance at on-line trade exhibitions and person to person remote presentations and demonstrations. We continue to expand our on-line and social media presence and our participation in counter terrorism forums.

The Company retains a positive outlook and our small but industrious team work hard to build a platform for sustainable growth into the future. On behalf of my fellow Board members, I would like to formally thank all our personnel for their outstanding response to the continuing challenging circumstances.

**Bill Mawer**

***Chairman and Chief Executive Officer***

28/04/2021

**Consolidated income statement**

**For the six months ended 31 March 2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | Note | **Six months****ended****31 March 2021****(Unaudited)****£'000** | Six monthsended31 March 2020(Unaudited)£'000 | Year ended30 September 2020(Audited)£'000 |
| **Revenue** |   | **868** | 2,287 | 3,484 |
| Cost of sales |   | **(387)** | (1,268) | (1,760) |
| **Gross profit** |   | **481** | **1,019** | **1,724** |
| Operating expenses |   | **(682)** | (840) | (1,612) |
| **Operating (loss)/profit** |   | **(201)** | **179** | **112** |
| Finance income |   | **-** | 1 | 1 |
| **Loss/(profit) before taxation** |   | **(201)** | **180** | **113** |
| Taxation |   | **-** | - | 25 |
| **Loss/(profit) for the period** |   | **(201)** | **180** | **138** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |   | **Pence** | **Pence** | **Pence** |
| **Earnings per share** |   |   |   |   |
| Basic profit per share | [3] | (0.15) | 0.13 | 0.10 |
| Diluted profit per share |   | (0.15) | 0.13 | 0.10 |

**Consolidated statement of changes in equity**

**For the six months ended 31 March 2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | Note | **Six months****ended****31 March 2021****(Unaudited)****£'000** | Six monthsended31 March 2020(Unaudited)£'000 | Year ended30 September 2020(Audited)£'000 |
| Opening equity shareholders' funds |   | **1,409** | 1,268 | 1,268 |
| Share-based payments | [4] | **-** | 4 | 3 |
| (Loss)/profit attributable to equity shareholders |   | **(201)** | 180 | 138 |
| Closing equity shareholders' funds |   | **1,208** | **1,452** | **1,409** |

**Consolidated statement of financial position**

**As at 31 March 2020**

|  |  |  |  |
| --- | --- | --- | --- |
|   | **As at****31 March 2021****(Unaudited)****£'000** | **As at****31 March 2020****(Unaudited)****£'000** | As at30 September 2020(Audited)£'000 |
| **Non-current assets** |   |   |   |
| Intangible and tangible assets | **61** | 40 | 64 |
|   | **61** | **40** | **64** |
| **Current assets** |  |  |  |
| Inventories | **366** | 439 | 450 |
| Trade and other receivables | **404** | 697 | 315 |
| Cash and cash equivalents | **1,048** | 1,140 | 1,410 |
|   | **1,818** | **2,276** | **2,175** |
| **Total assets** | **1,879** | **2,316** | **2,239** |
| **Current liabilities** |  |  |  |
| Trade and other payables | **671** | 864 | 783 |
| **Non-current liabilities** |  |  |  |
| Bank Loan |  |  | 47 |
| **Total liabilities** | **671** | **864** | **830** |
| **Net assets** | **1,208** | **1,452** | **1,409** |
| **Equity** |  |  |  |
| Share capital | **1,363** | 1,363 | 1,363 |
| Share premium account | **8,328** | 8,328 | 8,328 |
| Retained earnings | **(8,483)** | (8,239) | (8,282) |
| **Equity shareholders' funds** | **1,208** | **1,452** | **1,409** |

**Consolidated cash flow statement**

**For the six months ended 31 March 2021**

|  |  |  |  |
| --- | --- | --- | --- |
|   | **Six months****ended****31 March 2021****(Unaudited)****£'000** | **Six months ended 31 March 2020 (Unaudited) £'000** | Year ended30 September 2020(Audited)£'000 |
| **Cash flows from operating activities** |   |   |   |
| Operating (loss)/profit | **(201)** | **179** | 112 |
| **Adjustments for:** |  |  |  |
| Depreciation | **10** | **11** | 21 |
| Impairment of inventories | **9** | **14** | 26 |
| Amortisation of Lease | **21** | **-** | 39 |
| (Decrease)/increase in provision for warranty | **(9)** | **16** | 18 |
| Decrease in inventories | **75** | **330** | 306 |
| (Increase)/decrease in trade and other receivables | **(90)** | **(143)** | 350 |
| (Decrease)/increase in trade and other payables | **(98)** | **29** | (140) |
| Share-based payment charge | **-** | **4** | 4 |
| **Net cash used in operating activities** | **(283)** | **440** | **736** |
| Corporation tax recovered | **(1)** | **64** | 32 |
| **Net cash outflow from operating activities** | **(284)** | **504** | **768** |
|   |  |  |  |
| **Cash flows from investing activities** |  |  |  |
| Interest received | **-** | **1** | 1 |
| Purchase of intangible and tangible assets | **(7)** | **(6)** | (10) |
| **Net cash used in investing activities** | **(7)** | **(5)** | **(9)** |
|   |  |  |  |
| **Cash flows from financing activities** |  |  |  |
| (Repayment)/proceeds from bank loan | **(50)** | **-** | 50 |
| Lease payments | **(21)** | **-** | (40) |
| **Net cash from financing activities** | **(71)** | **-** | **10** |
|   |  |  |  |
| **Net (decrease)/increase in cash and cash equivalents** | **(362)** | **499** | **769** |
| Cash and cash equivalents at beginning of period | **1,410** | **641** | 641 |
| **Cash and cash equivalents at end of period** | **1,048** | **1,140** | **1,410** |

**Notes to the unaudited interim financial statements**

**For the six months ended 31 March 2021**

**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 2021 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 2020.

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 2020 does not constitute the full statutory accounts for that period. The annual report and financial statements for the year ended 30 September 2020 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 2020 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 before taxation of £201,198 and on 136,354,577 ordinary shares in issue throughout the period.

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of dilutive potential ordinary shares, based on the share price at the end of the period.  The Company's dilutive potential ordinary shares are shares issued under the Company's Enterprise Management Incentive ('EMI') scheme and options issued under the Company's Unapproved scheme.

**4 IFRS 2 'Share-based payments'**

Operating expenses includes a charge of £nil (2020: £3,877) 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 charges have been credited to equity in accordance with IFRS2 as presented in the consolidated statement of changes in equity.

**5 Additional copies**

Further copies of the 2021 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.