

Advanced x-ray systems





Corporate statement

Image Scan Holdings plc is a specialist in innovative real-time 2D and 3D x-ray technology operating globally in the security, industrial inspection and nuclear sectors.

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 blue-chip commercial organisations worldwide.

- IFC Corporate statement
- 01 Chairman's statement
- 03 Consolidated income statement
- 04 Consolidated statement of changes in equity
- 05 Consolidated balance sheet
- 06 Consolidated cash flow statement
- 07 Notes to the unaudited interim financial statements

Chairman's statement

BRIAN EMSLIE
CHAIRMAN

Introduction

I am pleased to present the Company's interim results for the six months ended 31 March 2012, with the Company having achieved a break-even result for the second consecutive six month period. The order book of £2.3 million at the start of the year gave the Company a solid foundation for a significant increase in revenue in the first six months of 2012 and the continuing flow of orders in the year means that the order book remains strong.

Financial results

Revenue for the six months at £1,760,000 (2011: £772,000) was more than double that of last year with strong contribution from both sectors. The margin has been reduced to 37% (2011: 41%) as a result of increasing competition within the market in general and more specifically by the part-shipment of the SVXi small vehicle inspection contract secured in August 2011 on which margins are low due to the significant investment in incremental development of this product.

Overheads of £653,000 (2011: £582,000) reflect the increase in marketing expenditure mainly in attendance at exhibitions and overseas travel, increased R&D spend in developing the product range and increased staff costs in terms of overtime and contractors to support current levels of operations. The resultant operating profit was £6,000 (2011: loss £266,000) and the profit per share was 0.01p (2011: loss per share of 0.43p).

The cash position at the start of the year was supported by advance contract payments of £520,000. By the end of the period, the cash balance had fallen to £122,000 (2011: £197,000) but at that time the Company was in the final phase of a substantial contract deliverable in May against which payment of £730,000 was due. Having received these funds, the current cash position is now £569,000. The Company has an agreed £100,000 overdraft facility with the Royal Bank of Scotland.

Overview

Security revenue in the period was £1,120,000 (2011: £267,000) and builds on the sound performance in the second half of 2011, with sales across the security portfolio. Revenue in the period included £570,000 of the aforementioned SVXi contract and the sale of an AXIS-3D baggage screening system into a prestigious London site. Industrial revenue of £640,000 was supported by further progress on the nuclear contract secured in 2011, some high margin contract industrial inspection business and three repeat sales of the MDXi-400 system.

Outlook

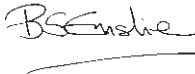
The order intake in the year to date of £2m comprises £1.3m of security sales and £0.7m of industrial. Security sales include two further orders for the SVXi small vehicle x-ray inspection system, one of which involved a composite sale including two standard size AXIS baggage

Chairman's statement continued

Outlook continued

screening systems and one of the larger tunnel size system launched last year. Sales of the portable FlatScan product range continue to perform well with good worldwide representation. Industrial orders include contracts both for our existing product range and for two new applications, one in the automotive sector and the other in the field of medical devices. These new systems will require further investment into product development, in particular into the software element and the Company intends to resource accordingly.

Having focused on executing the strategy put in place three years ago, the achievement of break-even performance for the past twelve months is a significant milestone for the Company. In order to move towards sustainable performance and growth, the Board is revisiting the Company strategy to form a longer-term view of how to develop our product offering to strengthen the product range and to open up new market opportunities. The potential additional investment required in both our engineering and sales teams to support the implementation of this revised strategy is currently being considered by the Board.



Brian Emslie
Chairman

12 June 2012

Consolidated income statement

FOR THE SIX MONTHS ENDED 31 MARCH 2012

	Six months ended 31 March 2012 (Unaudited) £	Six months ended 31 March 2011 (Unaudited) £	Year ended 30 September 2011 (Audited) £
Revenue	1,760	772	2,174
Cost of sales	(1,102)	(456)	(1,273)
Gross profit	658	316	901
Administrative expenses	(653)	(582)	(1,169)
Operating profit/(loss)	5	(266)	(268)
Finance revenue	1	–	1
Profit/(loss) before taxation	6	(266)	(267)
Taxation	–	–	30
Profit/(loss) for the period	6	(266)	(237)
	Pence	Pence	Pence
Earnings per share			
Basic and diluted earnings/(loss) per share	0.01	(0.43)	(0.36)

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 MARCH 2012

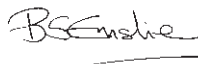
	Six months ended 31 March 2012 (Unaudited) £	Six months ended 31 March 2011 (Unaudited) £	Year ended 30 September 2011 (Audited) £
Opening equity shareholders' funds	907	814	814
Issue of shares - at par	-	-	150
Issue of shares - share premium	-	-	140
Share-based payments	-	2	4
Profit/(loss) attributable to equity shareholders	6	(266)	(201)
	913	550	907

Consolidated balance sheet

AS AT 31 MARCH 2012

	As at 31 March 2012 (Unaudited) £	As at 31 March 2011 (Unaudited) £	As at 30 September 2011 (Audited) £
Non-current assets			
Plant and equipment	47	43	44
Intangible assets	–	–	–
	47	43	44
Current assets			
Inventories	696	320	315
Trade and other receivables	437	460	567
Cash and cash equivalents	122	197	945
Current tax asset	–	–	29
	1,255	977	1,856
Total assets	1,302	1,020	1,900
Current liabilities			
Trade and other payables	390	459	999
Non-current liabilities			
Provisions for liabilities and charges	34	11	29
Total liabilities	424	470	1,028
Net assets	878	550	872
Equity			
Share capital	763	613	763
Share premium account	7,501	7,361	7,501
Retained earnings	(7,386)	(7,424)	(7,392)
Equity shareholders' funds	878	550	872

This interim financial information was approved by the Board of Directors on 12 June 2012.



Brian Emslie
Chairman

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 31 MARCH 2012

	Six months ended 31 March 2012 (Unaudited) £	Six months ended 31 March 2011 (Unaudited) £	Year ended 30 September 2011 (Audited) £
Cash flows from operating activities			
Operating profit/(loss)	5	(266)	(268)
Adjustments for:			
Depreciation	16	21	39
Increase in inventories	(381)	(47)	(42)
Decrease/(increase) in trade and other receivables	130	(140)	(246)
(Decrease)/increase in trade and other payables	(604)	266	825
Share-based payment charge	–	2	4
Net cash (used in)/generated from operating activities	(834)	(164)	312
Corporation tax recovered	29	28	28
Net cash (outflow)/inflow from operating activities	(805)	(136)	340
Cash flows from investing activities			
Interest received	1	–	1
Purchase of property, plant and equipment	(19)	(17)	(36)
Proceeds on disposal of property, plant and equipment	–	2	2
Net cash used in investing activities	(18)	(15)	(33)
Cash flows from financing activities			
Issue of ordinary share capital	–	–	290
Net cash generated from financing activities	–	–	290
Net (decrease)/increase in cash and cash equivalents	(823)	(151)	597
Cash and cash equivalents at beginning of period	945	348	348
Cash and cash equivalents at end of period	122	197	945

Notes to the unaudited interim financial statements

FOR THE SIX MONTHS ENDED 31 MARCH 2012

1 Basis of preparation

The interim financial information for the six months ended 31 March 2012 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 2011 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 earnings per ordinary share is based on the profit on ordinary activities after taxation of £6,000 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.

4 IFRS 2 'Share-based payments'

Operating expenses includes a charge of £nil (2011: £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 2012 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

Directors

Brian Emslie BMet (Hons)

Non-executive Chairman

Louise George BSc, FCA, ACIS

Chief Executive Officer

Nick Fox MSc, CEng, MIEE

Chief Technical Officer

Ian Johnson FSyI

Non-executive Director

Company Secretary

Louise J George BSc, FCA, ACIS

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