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IMAGE SCAN

INSIGHT WHERE IT MATTERS

IMAGE SCAN HOLDINGS PLC

("Image Scan" or the "Company")

Preliminary Results for the Year Ended 30 September 2023

Image Scan (AIM: IGE), the specialist supplier of X-ray screening systems to the security and industrial inspection markets, today announces preliminary results for the year ended 30 September 2023.

HIGHLIGHTS

FINANCIAL HEADLINES

- Order intake up 31% to £2.9m (2022: £2.2m)
- Sales up 50% to £3.0m (2022: £2.0m)
- Gross profit 48% (2022: 54%)
- Costs down 5% £1.4m (2022: £1.4m)
- Pre-tax profit £0.1m (2022: loss: £0.35m)
- Year-end order book £0.65m (2022: £0.71m)
- Year-end cash balance £0.96m (2022: £0.69m)

Image Scan's Chief Executive, Vince Deery, commented:

I'm very pleased by our results, a testament to the team's tireless efforts for a profitable year. New products and an optimised cost base significantly contributed to this turnaround. Our extended portable product range for the security market gained traction, resulting in a substantial uplift in sales compared to the previous year. With a robust operational and financial foundation, we look forward to the coming year, aiming for organic growth and strategic development. My sincere thanks to the team for their commitment in propelling us into profitability.

For further information on the Company, please visit: www.ish.co.uk and for further information on its products, please visit: www.3dx-ray.com

-ENDS-

Image Scan Holdings plc

Vincent Deery CEO

Sarah Atwell-King, CFO & Company Secretary

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Mike Coe/Sarah Mather (Corporate Finance)

[ABOUT IMAGE SCAN HOLDINGS PLC](#)

About Image Scan Holdings plc

The core activity of the Group is the manufacture of portable X-ray systems for security and counter terrorism applications. The Group recently launched a cabinet X-ray machine and is replacing its Axis range of checkpoint X-ray systems with new machines developed with a partner. All these products are taken to market across the world through a strong network of international partners.

In addition, over the last sixteen years, Image Scan has developed and manufactured industrial X-ray inspection systems, the MDXi range. The primary market for these systems is in automotive emissions control where they are used for quality control inspection of catalytic converters and diesel particulate filters.

The visibility and reach of the Company's 3DX-Ray brand has been further strengthened through a new LinkedIn profile focussed on its EOD and counter-terrorism activities. This can be found at: <https://www.linkedin.com/company/3dx-ray/>

For further information on the Company, please visit: www.ish.co.uk - and for further information on its products, please visit: www.3dx-ray.com

CHAIRMANS STATEMENT

Overview

2023 delivered a welcome return to profit, meeting expectation. This was derived from strong teamwork, organisational restructuring and the return to near pre-pandemic levels of market activity.

Financial Summary

For the year ended 30 September 2023 (the "Year"), the Group generated revenues of £3.0m (2022: £2.0m), up 50% and a profit before tax of £0.1m (2022: loss £0.35m). This performance was the result of a strong recovery in sales and good cost control. There has been a significant increase in the Group cash balances to £0.96m (2022: £0.69m).

The launch of new products and the continued new product pipeline gives us confidence for 2024.

Environmental, Social and Governance

Image Scan recognises the importance of adopting a strong environmental, social and governance ("ESG") framework, and this guides our overarching business objectives and is influential to serving the needs of all our key stakeholders. We are confident in the robust procedures we have in place across the business and intend to continue building on these in 2024.

Board Composition

The development of the board has continued this year with the appointment of Sunil Vadgama as a Non-Executive Director in December 2022. He has an excellent technical background and understanding of the product range. Dr Richard Leaver resigned from the board in September 2023 after eight years of dedicated service. The Board extends its thanks to Richard for all he has contributed and wishes him well in his future.

Outlook

On behalf of the Board and the dedicated team at Image Scan, I wish to thank our colleagues and customers for their invaluable contributions throughout 2023. Their commitment has been instrumental in positioning us for the success we outline below/within this report.

Our trading performance, aligning with expectations, reflects a commendable 50% increase in revenue and a swing of c.£450k into profitability. This accomplishment is a testament to the diligent efforts of our restructured team and the positive shifts in the business environment.

With a robust balance sheet and a healthy cash position, we stand on a strong operational and financial foundation ready for growth. The sustained vigour in our sales and marketing activities instils confidence in our ability to achieve organic growth and meet expectations for the current financial year.

While macroeconomic and geopolitical uncertainties persist, we approach each challenge as an opportunity, engaging the collective talents of our team. The Board of Directors remains confident in the Group's prospects in the medium to long term. We are committed to capitalising on this Year's performance and actively seeking strategic

avenues for growth in conjunction with our organic initiatives.

Tim Jackson
CHAIRMAN

CEO REPORT

BUSINESS REVIEW

With the global markets becoming more active, the marketing and sales activities have recommenced at an energetic pace. The recent introduction of the new portable product has broadened our scope of opportunity and bolstered the Group's ability to compete in international tenders.

The sales team's active participation in trade shows and Counter Explosive Ordnance (Counter EO) conventions and demonstrations has provided market experts and thought leaders' exposure to the benefits of the Group's latest product offerings and enhancements, which has directly led to an improved financial performance and sales to over 30 different countries.

We have adeptly managed the reduction in the industrial business supporting the catalyst market (associated with the internal combustion engine) and its transition of production to lower-cost countries. Our strategic measures have, to date, successfully mitigated the impact of this transition on our business demonstrating our resilience in the face of market shifts.

OUR STRATEGY

The Group's strategy focuses on the organic growth of current activities by expansion of the product range, and its target territories. The Group seeks to operate in profitable, niche security segments for which it can offer differentiated products that it offers to the market at good margins.

In industrial screening, we will continue to mitigate the reduction in the catalyst market related to the internal combustion engine and its impact on the Group revenue.

The Group possesses extensive and valuable expertise in establishing and maintaining market routes, particularly in the field of security and Counter EO. It aims to enhance these channels by incorporating new, in-house-developed products or by identifying organisations that can provide innovative technologies or products associated with the industry, thereby enriching the Group's product portfolio. The process of identifying and analysing organisations offering products or services aligned with the Group has already begun.

OUTLOOK

We expect the increased market activity observed this year to be maintained, and with heightened engagement at trade shows and conferences, we anticipate a strengthening opportunity pipeline. Expanding our product range is not only a safeguard for our market position but also provides access to opportunities that were previously unavailable with our historic product portfolio.

The Group is steadily building on its initial sales for the AXIS range X-ray systems, with a focus on showcasing this product prominently at upcoming exhibitions in the coming year. Sales of this product line are anticipated to experience growth in the upcoming financial year.

We will concentrate on our core expertise, specifically our portable X-ray products and associated software. This strategic focus is aimed at sustaining and expanding our market share, countering competition in this market. Our approach involves extending our range into markets featuring higher performance and higher value systems.

Recognising the diminishing prominence of internal combustion engines and the imperative shift towards achieving net-zero emissions, we acknowledge the necessity to pinpoint alternative sectors where our industrial inspection technology can offer a suitable and cost-effective solution, whilst minimising the impact of the decline in this revenue

source. Our focus for success in this sector lies in aligning with replacement technologies for internal combustion engines which is a longer-term strategic priority.

Image Scan has successfully navigated through the challenges posed by this year's inflationary pressures, as well as the disruptions to supply chains and logistical difficulties. While the impact of supply chain disruptions is diminishing, there remains a concern regarding the supply of certain components that are beyond the control of the Group.

With our new organisational structure and reduced cost base, we believe we are well-positioned to sustain the momentum of this year's achievements. Our goal is to enhance the Group's profitability and leverage the advantages of the Group listing to strategically advance the business. Our focus is on executing deliberate actions that contribute to the strategic growth of the Group, moving beyond organic growth alone.

Vincent Deery
CHIEF EXECUTIVE OFFICER

CFO REPORT

KEY PERFORMANCE INDICATORS

	2023	2022	2021	2020	2019
Order intake	£2.9m	£2.2m	£2.8m	£2.4m	£3.9m
Turnover	£3.0m	£2.0m	£2.9m	£3.5m	£2.4m
Gross margin	48%	54%	53%	49%	54%
Cash balance	£958k	£690k	£1,186k	£1,409k	£640k
Inventory Balance	£349k	£629k	£393k	£451k	£483k

FINANCIAL RESULTS

The Group had a much improved financial year, turning a pre-tax loss of £350k into a pre-tax profit of £0.1m. In addition bank balances increased by £268k to £958k (2022: £690k) putting us in a good position to continue to build the Group and its product portfolio.

As highlighted in the CEO Report, we saw renewed activity in the security market and this led to sales growth of 50%, increasing sales to £3.0m. This was driven by an increase in original equipment sales of 70% growth, including a good contribution from our most recently launched products. All regions saw sales growth, with the largest growth coming from Europe/Middle East and Africa.

A change in mix of products as well as inflationary pressures of component cost pushed gross margin down from 54% to 48% and an internal focus in the coming year will be on working with our suppliers to manage our component cost base. A strong focus by the team on the customer requirement has ensured that goods are received by our customers in a timely manner with very high standards of quality which has resulted in lower levels of spend on warranty.

In the Year, the Group applied for and won a number of grants towards our marketing and development activity, and we will continue to explore further funding opportunities.

Alongside the restructure of the Board and Management team, driving down costs has been a successful focus for the Year, while enabling the Group to continue to invest in product development and marketing.

As well as the reported participation in trade shows, the Group has also increased the number of demonstration kits held and upgraded the current kits allowing the team to better tailor its demonstrations to the requirements of the customer. These investments were made while administration expenses were reduced by 5% from £1.42m to £1.35m.

This work alongside the tremendous efforts of the sales team have seen a return to profit of £0.1m (2022: loss £350k) which is a testament to the whole team.

Funds from R&D tax credits were down as the Government reduced the allowance from April 2023 but are still a good source of cashflow for the business.

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In the Year, our focus on strategic inventory management proved highly successful, as we drove down stock levels. This achievement reflects our commitment to operational efficiency whilst still being able to ensure our continued ability to respond promptly to customer requests, contributing significantly to our overall success. Stock levels have fallen from £629k to £349k ensuring funds are not tied up unnecessarily while delivering in agreed timescales.

At the same time, bank balances have increased to £958k (2022: £690k) which is a net increase of £268k. Funds generated from operating activities were positive at £430k (2022: used £290k) some of which has been invested in the new product range with a combined spend net of grants of £309k (2022: £395k without grants).

Delivering the turn around and achieving a pre-tax profit of £0.1m could not have been achieved without the commitment and focus of the team at Image Scan and I would add my thanks to the whole team.

Sarah Atwell King
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2023

	Note	2023 £	2022 £
REVENUE		2,962,934	2,002,299
Cost of sales		(1,527,723)	(924,380)
Gross profit		1,435,211	1,077,919
Administrative expenses		(1,354,652)	(1,421,456)
Other Operating Income		14,934	-
OPERATING PROFIT/(LOSS)		95,493	(343,537)
Finance income		6,639	440
Interest payable and similar charges		(5,555)	(6,426)
PROFIT/(LOSS) BEFORE TAXATION		96,577	(349,523)
Taxation		27,362	77,998
PROFIT /(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY OWNERS OF THE PARENT COMPANY	2	123,939	(271,525)
Earnings/(loss) per share		Pence	Pence
Basic		0.09	(0.20)
Diluted		0.09	(0.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

	2023 £	2022 £
NON-CURRENT ASSETS		
Intangible assets	320,957	257,554
Property, plant and equipment	6,599	13,559
Right of use asset	153,678	193,053
	481,234	464,166
CURRENT ASSETS		
	1,107,777	1,000,000

Inventories	348,753	628,903
Trade and other receivables	633,870	638,292
Cash and cash equivalents	958,465	689,543
	1,941,088	1,956,738
TOTAL ASSETS	2,422,322	2,420,904
CURRENT LIABILITIES		
Trade and other payables	712,455	793,459
Lease liability	37,625	37,625
Warranty provision	33,858	37,930
	783,938	869,014
NON-CURRENT LIABILITIES		
Lease liability	126,683	164,128
	126,683	164,128
NET ASSETS	1,511,701	1,387,762
EQUITY		
Share capital	1,368,546	1,368,546
Share premium account	8,332,910	8,332,910
Profit and loss account	(8,189,755)	(8,313,694)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	1,511,701	1,387,762

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2023

	Share capital £	Share premium £	Profit and loss account £	Total £
As at 1 October 2021	1,363,546	8,327,910	(8,042,169)	1,649,287
Shares issued in the year	5,000	5,000	-	10,000
Loss for the year and total comprehensive income for the year	-	-	(271,525)	(271,525)
As at 30 September 2022	1,368,546	8,332,910	(8,313,694)	1,387,762
Shares issued in the year	-	-	-	-
Profit for the year and total comprehensive loss for the year	-	-	123,939	123,939
As at 30 September 2023	1,368,546	8,332,910	(8,189,755)	1,511,701

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2023

	2023 £	2022 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit / (loss)	95,493	(343,537)
Adjustments for:		
Amortisation of intangible assets	60,887	29,381
Depreciation	6,960	6,098
Amortisation of right of use asset	39,375	39,375
Decrease in impairment of inventories	(54,349)	(11,263)
Decrease/(increase) in inventories	334,499	(224,566)
(Increase)/decrease in trade and other receivables	(40,485)	132,441
(Decrease)/increase in trade and other payables	(81,004)	41,179
Decrease in warranty provisions	(4,072)	(7,710)
Cash generated from / (used in) operating activities	357,304	(338,602)
Corporation tax received	72,269	48,114

	429,573	(290,488)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,639	440
Purchase of intangibles	(124,290)	(177,345)
Purchase of property, plant and equipment	-	(1,862)
Net cash used in investing activities	(117,651)	(178,767)
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease payments (capital and interest)	(43,000)	(37,625)
Proceeds from issue of share capital	-	10,000
Net cash used in financing activities	(43,000)	(27,625)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	268,922	(496,880)
Cash and cash equivalents at beginning of year	689,543	1,186,423
CASH AND CASH EQUIVALENTS AT END OF YEAR	958,465	689,543

Notes to the preliminary statement

1. Basis of preparation

While the financial information included in this annual financial results announcement has been prepared in accordance with the recognition and measurement principles of UK adopted international accounting standards, this announcement does not contain sufficient information to comply therewith.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 September 2023 or 30 September 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

2. Earnings per share

The diluted earnings 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. 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. Where the Company is reporting losses, the impact of share options is considered anti-dilutive. Where the Company is reporting profits, share options could potentially dilute basic earnings per share in the future but are only included in the calculation of diluted earnings per share when the exercise price of the share options is below the average share price in the year.

	2023	2022
	£	£
Profit/(loss) for the year	123,939	(271,525)
Weighted average number of ordinary shares in issue	136,854,577	136,753,207
Number of diluted shares	136,854,577	136,753,207
Basic profit/(loss) per share	0.09p	(0.20)p
Diluted profit/(loss) per share	0.09p	(0.20)p

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