

**IMAGE SCAN HOLDINGS PLC**  
**(“Image Scan” or the “Company”)**

**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2004**

Image Scan, a leading provider of 3D and multi-view, X-ray imaging technologies for the security and industrial inspection markets announces preliminary results for the year ended 30 September 2004.

Key Points

- Commercial sales £425,000 (2003: £351,000, plus £159,000 of funded research);
- Gross profit £186,000 (2003: £121,000) as margin increases from 24% to 44%;
- Group loss after tax of £1,210,000 (2003: £788,000);
- Basic and diluted loss per ordinary share at 6.3p (2003: 4.9p);
- The target of establishing two “blue chip” reference sites for industrial X-ray inspection systems has been met with one at GE Healthcare Amersham and the other at Johnson Matthey;
- Formal launch and initial commercial sales of the Rapiscan 3D20 product which contains the Company’s market leading 3D X-ray baggage screening system;
- Largest single order - in excess of £600,000 received by the Company in December 2004.

**For further information:**

Nick Fox, Chief Executive	Image Scan Holdings plc	01664 503 600
Richard Darby/Suzanne Brocks	Buchanan Communications	020 7466 5000

## **Chairman's Statement**

### **INTRODUCTION**

I am pleased to present the results of Image Scan Holdings plc for the year ended 30 September 2004 and the Board's view of the Company's progress and prospects.

### **FINANCIAL RESULTS AND ACCOUNTING POLICY**

Commercial sales in the year were £425,000 (2003: £351,000). In 2003 there were additional sales of £159,000 relating to one-off funded research projects. The change in emphasis from a mixture of commercial and research contracts to entirely commercial sales has resulted in the recovery of the profit margin to 44% (2003: 24%). This gave an improvement in gross profit from £121,000 to £186,000.

The overheads of £1,448,000 (2003: £961,000) included £162,000 written off the value of the patents licensed from The Nottingham Trent University. The Directors felt that the Company's technology had progressed beyond those original patents such that significant future sales arising from their use was not anticipated. Other 'one-off' costs included £60,000 spent on a cost benefit analysis and £60,000 incurred in professional fees relating to aborted negotiations for a strategic partner to take a stake in the Company. Since the year-end the Directors have taken action to reduce overheads.

Overheads included research and development expenditure of £118,000 (2003: £150,000), which is expensed as incurred in accordance with the group's accounting policy. The lower expenditure in 2004 reflects the move towards commercial sales, whilst still maintaining a research focus on the next generation of imaging techniques.

The loss for the year after R&D tax credits amounts to £1,210,000 (2003: £788,000), being a loss per share of 6.3p (2003: 4.9p). In accordance with the current policy there is no dividend.

During the year the Company invested £20,000 in a licence for a castellated detector patent which represents a key component of the current product range. Other capital expenditure included £65,000 for two demonstration units; one for use at exhibitions and the other a prototype for a large area detector for explosives and ordnance detection.

### **OUTLOOK**

Although the launch and subsequent sales of the Rapiscan 3D20 have been slower than anticipated, we are now beginning to see the first significant sales resulting from the Sales and Marketing Agreement with Rapiscan Security Products Limited (Rapiscan) with the latest order of £90,000 for 6 cameras being received in October 2004. This order brings the total number of camera units sold to Rapiscan to 16 out of the agreed 150 units to be ordered by February 2006 under the Sales and Marketing Agreement.

Following the launch of the industrial products into the market in October 2003, we have been delighted to have met our target of establishing two key reference sites during 2004. These sites, at GE Healthcare Amersham and Johnson Matthey, both resulted from an intense evaluation of our technology by the customer and add significantly to the credibility of our systems.

The calendar year ended on a high note, with turnover in the first quarter showing a significant improvement at £102,000 compared to £13,000 for the same period last year.

Furthermore the Company's largest single order to date of £600,000 was received in December 2004 as a follow-on order from our first system delivered to Johnson Matthey.

Against this background the Board is seeking to raise additional capital by way of a rights issue to provide sufficient resources to take advantage of these emerging commercial opportunities and to continue operations for the foreseeable future. For further details, refer to note 2 to this announcement.

## **OTHER MATTERS**

As a final point I should like to offer my personal thanks and acknowledgement to the unwavering loyalty and dedication of the staff on a day-to-day basis. It is their skill and expertise that has put this Company at the forefront of its technological sectors.

Ian Johnson  
Chairman

**IMAGE SCAN HOLDINGS PLC**

**GROUP PROFIT AND LOSS ACCOUNT**

**Year ended September 2004**

	Note	Unaudited 2004 £	Audited 2003 £
<b>TURNOVER</b>		424,620	509,750
Cost of sales		<u>(239,100)</u>	<u>(389,016)</u>
Gross profit		185,520	120,734
Administrative expenses		<u>(1,448,125)</u>	<u>(960,507)</u>
<b>OPERATING LOSS</b>		(1,262,605)	(839,773)
Interest receivable		12,513	8,219
Interest payable		<u>(4,877)</u>	<u>(7,164)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,254,969)	(838,718)
Taxation		<u>44,486</u>	<u>50,419</u>
<b>LOSS ON ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		(1,210,483)	(788,299)
Dividends		<u>-</u>	<u>-</u>
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		(1,210,483)	(788,299)
<b>Retained reserves brought forward</b>		<u>(2,790,643)</u>	<u>(2,002,344)</u>
<b>Revenue reserves carried forward</b>		<u>(4,001,126)</u>	<u>(2,790,643)</u>
		<b>Pence</b>	<b>Pence</b>
<b>Earnings per share</b>			
Basic and diluted loss per share	(i)	<u>6.3</u>	<u>4.9</u>

**NOTE:**

**(i) EARNINGS PER SHARE**

	Unaudited 2004 £	Audited 2003 £
Loss for the year	<u>1,210,483</u>	<u>788,299</u>
Weighted average number of ordinary shares in issue	<u>19,073,580</u>	<u>16,250,203</u>
Basic and diluted earnings per share	<u>(6.3)</u>	<u>(4.9)</u>

FRS14 requires presentation of diluted earnings per share (EPS) when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally and there are no other diluting future share issues, diluted EPS equals basic EPS.

**IMAGE SCAN HOLDINGS PLC****CONSOLIDATED BALANCE SHEET****As at 30 September 2004**

	Note	Unaudited 2004 £	Audited 2003 £
<b>FIXED ASSETS</b>			
Tangible fixed assets		191,579	222,259
Intangible fixed assets		19,594	178,310
		<u>211,173</u>	<u>400,569</u>
<b>CURRENT ASSETS</b>			
Stock and work in progress		44,449	26,957
Debtors		146,189	127,717
Cash at bank and in hand		50,027	209,655
		<u>240,665</u>	<u>364,329</u>
<b>CREDITORS: amounts falling due within one year</b>		<u>(343,722)</u>	<u>(427,251)</u>
<b>NET CURRENT (LIABILITIES)</b>		<u>(103,057)</u>	<u>(62,922)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		108,116	337,647
<b>CREDITORS: amounts falling due after more than one year</b>		(17,307)	(54,670)
<b>Provisions for liabilities and charges</b>		<u>(15,700)</u>	<u>-</u>
		<u>75,109</u>	<u>282,977</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		193,356	162,502
Share premium account		3,882,879	2,911,118
Profit and loss account		<u>(4,001,126)</u>	<u>(2,790,643)</u>
		<u>75,109</u>	<u>282,977</u>

# IMAGE SCAN HOLDINGS PLC

## CONSOLIDATED CASH FLOW STATEMENT Year ended 30 September 2004

	Note	Unaudited 2004 £	Audited 2003 £
<b>Net cash outflow from operating activities</b>	(i)	(1,060,615)	(237,723)
<b>Returns on investments and servicing of finance</b>			
Interest received		12,513	8,219
Interest payable		(4,877)	(7,164)
		<u>7,636</u>	<u>1,055</u>
<b>Taxation</b>			
Corporation tax recovered		54,431	97,389
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(90,421)	(189,360)
Purchase of intangible fixed assets		(20,182)	(3,655)
		<u>(110,603)</u>	<u>(193,015)</u>
<b>Net cash outflow before management of liquid resources</b>		<u>(1,109,151)</u>	<u>(332,294)</u>
<b>Management of liquid resources</b>			
Withdrawal of short term deposits		-	42,924
<b>Financing</b>			
Issue of ordinary share capital		986,885	-
Bank loans repaid		(37,362)	(36,172)
		<u>949,523</u>	<u>(36,172)</u>
<b>Decrease in cash in the year</b>	(ii), (iii)	<u><u>(159,628)</u></u>	<u><u>(325,542)</u></u>

## NOTES TO THE CASH FLOW STATEMENT

### Year ended 30 September 2004

#### i) RECONCILIATION OF OPERATING CASH FLOWS

	Unaudited 2004 £	Audited 2003 £
Operating loss	(1,262,605)	(839,773)
Depreciation	121,101	76,151
Amounts written off intangible fixed assets	178,898	17,805
(Increase)/decrease in stock	(17,492)	42,974
(Increase)/decrease in debtors (excluding corporation tax recoverable)	(12,686)	195,533
(Decrease)/increase in creditors	(67,831)	269,587
	<u>(1,060,615)</u>	<u>(237,723)</u>

# IMAGE SCAN HOLDINGS PLC

## NOTES TO THE CASH FLOW STATEMENT

Year ended 30 September 2004

### ii) ANALYSIS OF NET FUNDS

	<b>Audited 2003 £</b>	<b>2004 Cash flow £</b>	<b>Other non-cash charges £</b>	<b>Unaudited 2004 £</b>
Cash at bank and in hand	209,655	(159,628)		50,027
Debt due within one year	(37,363)	37,362	(37,362)	(37,363)
Debt due after one year	(54,669)		37,362	(17,307)
	<u>117,623</u>	<u>(122,266)</u>	<u>-</u>	<u>(4,643)</u>

### iii) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS

	<b>Unaudited 2004 £</b>	<b>Audited 2003 £</b>
Decrease in cash in the period	(159,628)	(325,542)
Cash outflow from decrease in debt	37,362	36,172
Cash outflow from decrease in liquid resources	-	(42,924)
<b>Change in net debt resulting from cash flows</b>	<u>(122,266)</u>	<u>(332,294)</u>
Net funds at 1 October	117,623	449,917
<b>Net (debt)/funds at 30 September</b>	<u>(4,643)</u>	<u>117,623</u>

# IMAGE SCAN HOLDINGS PLC

## NOTES TO THE ANNOUNCEMENT

### Year ended 30 September 2004

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2004 or 2003. The financial information for the year ended 30 September 2003 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 30 September 2004 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The financial information has been prepared in accordance with the accounting policies adopted for the 2003 accounts.
2. On 15<sup>th</sup> November 2004 the Company issued £200,000 9% secured loan stock repayable at par on 14<sup>th</sup> November 2005 or on the date of a debt or equity fundraising by the Company which raises not less than £1 million gross, whichever is earlier. £200,000 of warrants were issued with the loan stock at a subscription price of the lower of 10p per share or the price at which the Company next issues new ordinary shares in an open offer, placing or rights issue to ordinary shareholders of the Company.

The Company hopes to shortly announce a rights issue to raise £1 million of additional working capital. Negotiations are underway by the brokers to secure underwriters to the issue.

Based on a successful rights issue the Board believes the Company will have sufficient resources to continue in operational existence for the foreseeable future and therefore have prepared this announcement on a going-concern basis.

3. It is intended that the financial statements for the year ended 30 September 2004 will be posted to shareholders in March 2005 and will also be available thereafter at the registered office, Pera Innovation Park, Nottingham Road, Melton Mowbray, Leicestershire, LE13 0PB.
4. The Annual General Meeting will be held in April 2005, at the registered office, Pera Innovation Park, Nottingham Road, Melton Mowbray, Leicestershire, LE13 0PB.