

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

**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2005**

Image Scan Holdings (AIM:IGE), a leading provider of 3D and multi-view, X-ray imaging technologies for the security and industrial inspection markets, today announces preliminary results for the year ended 30 September 2005.

**Key Points**

- Sales of £843,000 up by 98% (2004: £425,000);
- Gross profit of £399,000 more than doubled (2004: £186,000);
- Group loss before tax of £722,000 substantially reduced (2004: £1,255,000);
- Basic and diluted loss per ordinary share at 2.7p (2003: 6.3p);
- The Board and sales management teams have been strengthened;
- Repeat sales such as those to Johnson Matthey accounting for the majority of turnover;
- Renewed relationship with Rapiscan in October 2005 giving rise to early revenue of £345,000;
- A new explosives ordnance security product TPXi was launched in November 2005;
- Year end order book of £326,000 (2004: £nil), rising to £684,000 by the end of October 2005.

Peter Woods, Chairman of Image Scan Holdings Plc, commented:

"During the year we concentrated on broadening our industrial customer base and are currently in discussion with over twenty companies. We launched TPXi, our new security product targeted at explosives and ordnance detection, in November 2005 at the Milipol exhibition in Paris. The market reaction at Milipol and since the launch has been extremely positive. We believe the significant achievements of 2005 will continue into 2006."

**For further information:**

Nicholas Fox	Chief Executive	)	01664 503 600
Peter Woods	Chairman	)	
Toby Hall	GTH Communications	)	020 7153 8039
Howard Drummon	Keith Bayley Rogers Ltd	)	020 7871 2232

## **CHAIRMAN'S STATEMENT**

### **INTRODUCTION**

The year to 30<sup>th</sup> September 2005 was one of substantial progress. During the year the management team has been strengthened, we have seen a sharp growth in industrial sales, the relationship with Rapiscan has been revitalised, and we have completed the development of and launched our portable security product TPXi.

### **FINANCIAL RESULTS**

I am pleased to report that our turnover was almost double the prior year at £843,000 (2004: £425,000) with the industrial sector accounting for 82% and security for 18%.

Administrative costs in 2005 have been reduced on a like-for-like basis by 13% compared with 2004 and were £1,116,000 (2004: £1,448,000, which included the write-off of certain patent costs amounting to £162,000). The benefits of these savings will continue into future years. R&D expenditure increased by 8% to £128,000.

The pre-tax loss for the year was significantly reduced to £722,000 (2004: £1,255,000), with substantial improvement from a loss of £542,000 in the first half to one of £180,000 in the second half of the year.

Following the successful placing and open offer, which raised £932,000 net of costs, we have reduced loan funding by £237,000 and increased cash balances to £154,000 (2004 £50,000).

### **SIGNIFICANT EVENTS**

The most significant operational events in the year were:

- Following a major review of world-wide sales and marketing strategy, initiated after the April 2005 fund-raising, we have identified and clarified those market opportunities with the greatest potential. We have appointed an Industrial Products Sales Manager, a Marketing Manager and a Project Manager, and discussions are well advanced for the appointment of two world-wide distributors, to take full advantage of these opportunities.
- Repeat sales, such as those announced to Johnson Matthey and other USA clients in the automotive market, accounted for the majority of our turnover and confirmed the validity of our 2D/3D technology in the industrial inspection sector. Sales of stand-alone batch inspection equipment systems using Image Scan X-Line x-ray camera technology and multi-station industrial inspection systems such as the MDXi product range, have progressed well.
- During the year we concentrated on broadening our industrial customer base and are currently in discussion with over twenty companies with sound industrial sector potential. These present good prospects for order placement in the automotive, pharmaceutical and medical markets over the medium term.
- The resolution of the Rapiscan situation was an important step-change for the Company, clearing away a significant structural barrier to the development of sales in the aviation security sector. The renewed relationship has led to early additional sales revenue and improved cash flow, as well as strengthened 2D & 3D opportunities for growth with Rapiscan and greater flexibility in developing wider market partnerships.
- We launched TPXi, our new security product targeted at explosives and ordnance detection, in November 2005 at the Milipol exhibition in Paris. In terms of 2D design technology,

wireless configuration, ease of use and price, the TPXi clearly makes a valuable contribution to today's market for fully portable scanning detectors in the security, customs, and non-destructive testing applications markets. The market reaction at Milipol and since the launch has been extremely positive and we anticipate strong sales growth. The market size for this sector is estimated to reach \$1.2 billion by 2009.

## **OUTLOOK**

We believe the significant achievements of 2005 will continue into 2006. The year ended with a healthy order book of £326,000 which increased to £684,000 by the end of October 2005.

Cash balances have increased since the year end and revenue is growing steadily.

## **OTHER MATTERS**

Finally, the commitment of all members of staff at Image Scan to meet the Company needs over the last year has been extraordinarily positive and I would like to take this opportunity to thank everyone for this response, and for their persistence, ingenuity, and hard work.

P J Woods  
Chairman

12 December 2005

# IMAGE SCAN HOLDINGS PLC

## GROUP PROFIT AND LOSS ACCOUNT

Year ended September 2005

	Note	2005 £	2004 £
<b>TURNOVER</b>		843,089	424,620
Cost of sales		(444,252)	(239,100)
Gross profit		398,837	185,520
Administrative expenses (including exceptional charge of £nil (2004:£161,995) )		(1,116,370)	(1,448,125)
<b>OPERATING LOSS</b>		(717,533)	(1,262,605)
Interest receivable		5,580	12,513
Interest payable		(10,446)	(4,877)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(722,399)	(1,254,969)
Taxation		30,289	44,486
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		(692,110)	(1,210,483)
<b>Retained reserves brought forward</b>		(4,001,126)	(2,790,643)
<b>Revenue reserves carried forward</b>		(4,693,236)	(4,001,126)
		<b>Pence</b>	<b>Pence</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	(i)	(2.7)	(6.3)

### NOTE:

#### (i) EARNINGS PER SHARE

	2005 £	2004 £
Loss for the year	692,110	1,210,483
Weighted average number of ordinary shares in issue	25,931,619	19,073,580
	<b>Pence</b>	<b>Pence</b>
Basic and diluted earnings per share	(2.7)	(6.3)

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 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible fixed assets		155,760	191,579
Intangible fixed assets		17,913	19,594
		<u>173,673</u>	<u>211,173</u>
<b>CURRENT ASSETS</b>			
Stock and work in progress		94,645	44,449
Debtors		341,175	146,189
Cash at bank and in hand		153,857	50,027
		<u>589,677</u>	<u>240,665</u>
<b>CREDITORS: amounts falling due within one year</b>		<u>(427,356)</u>	<u>(343,722)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>162,321</u>	<u>(103,057)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		335,994	108,116
<b>CREDITORS: amounts falling due after more than one year</b>		-	(17,307)
<b>Provisions for liabilities and charges</b>		<u>(20,500)</u>	<u>(15,700)</u>
		<u>315,494</u>	<u>75,109</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		348,681	193,356
Share premium account		4,660,049	3,882,879
Profit and loss account		<u>(4,693,236)</u>	<u>(4,001,126)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>315,494</u>	<u>75,109</u>

# IMAGE SCAN HOLDINGS PLC

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2005

	Note	2005 £	2004 £
<b>Net cash outflow from operating activities</b>	(i)	(738,032)	(1,060,615)
<b>Returns on investments and servicing of finance</b>			
Interest received		5,580	12,513
Interest payable		(10,446)	(4,877)
		(4,866)	7,636
<b>Taxation</b>			
Corporation tax recovered		20,564	54,431
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(70,764)	(90,421)
Receipts from sales of tangible fixed assets		1,796	-
Purchase of intangible fixed assets		-	(20,182)
		(68,968)	(110,603)
<b>Net cash outflow</b>		(791,302)	(1,109,151)
<b>Financing</b>			
Issue of ordinary share capital		932,495	986,885
Bank loans repaid		(37,363)	(37,362)
		895,132	949,523
<b>Increase/(decrease) in cash in the year</b>	(ii), (iii)	<u>103,830</u>	<u>(159,628)</u>

## NOTES TO THE CASH FLOW STATEMENT

Year ended 30 September 2005

### i) RECONCILIATION OF OPERATING CASH FLOWS

	2005 £	2004 £
Operating loss	(717,533)	(1,262,605)
Depreciation	104,787	121,101
Amounts written off intangible fixed assets	1,681	178,898
(Increase)/decrease in stock	(50,196)	(17,492)
(Increase)/decrease in debtors (excluding corporation tax recoverable)	(185,262)	(12,686)
Increase/(decrease) in creditors	108,491	(67,831)
<b>Net cash outflow from operating activities</b>	<u>(738,032)</u>	<u>(1,060,615)</u>

# IMAGE SCAN HOLDINGS PLC

## NOTES TO THE CASH FLOW STATEMENT Year ended 30 September 2005

### ii) ANALYSIS OF NET FUNDS

	2004 £	2005 Cash flow £	Other non-cash changes £	2005 £
Cash at bank and in hand	50,027	103,830	-	153,857
Debt due within one year	(37,363)	37,363	(17,307)	(17,307)
Debt due after one year	(17,307)	-	17,307	-
	<u>(4,643)</u>	<u>141,193</u>	<u>-</u>	<u>136,550</u>

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

	2005 £	2004 £
Increase/(decrease) in cash in the period	103,830	(159,628)
Cash outflow from decrease in debt	37,363	37,362
<b>Change in net funds/(debt) resulting from cash flows</b>	<u>141,193</u>	<u>(122,266)</u>
Net (debt)/funds at 1 October	<u>(4,643)</u>	<u>117,623</u>
<b>Net funds/(debt) at 30 September</b>	<u>136,550</u>	<u>(4,643)</u>

# **IMAGE SCAN HOLDINGS PLC**

## **NOTES TO THE ANNOUNCEMENT**

### **Year ended 30 September 2005**

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 September 2005 and 30 September 2004 but is derived from those accounts. Statutory accounts for 2004 have been delivered to the Registrar of Companies, and those for 2005 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 237(2) or (3) of the Companies Act 1985.

The financial information has been prepared in accordance with the accounting policies adopted for the 2004 accounts.

2. It is intended that the financial statements for the year ended 30 September 2005 will be posted to shareholders in January 2006 and will also be available thereafter at the registered office, Pera Innovation Park, Nottingham Road, Melton Mowbray, Leicestershire, LE13 0PB.
3. The Annual General Meeting will be held on 23 March 2006, at the offices of DMH Stallard, Centurion House, 37 Jewry Street, London, EC3N 2ER.