14 August 2019

IndigoVision Group plc
("IndigoVision" or "the Group" or "the Company")

Interim Results for the six months ending 30 June 2019

Financial Highlights

- Revenue increased by 8.3% to $24.1m (2018: $22.2m)
- Gross margin 57.4% (2018: 58.0%)
- Operating profit $0.4m (2018: operating loss $1.1m)
- EBITDA $1.0m (2018: LBITDA $0.7m)
- Net cash at 30 June 2019 $2.8m (2018: $2.7m)
- New three year debt facility of up to $10.0m secured

Operational Highlights

Our revenues continue to grow in our core markets and operating costs remain well controlled. The senior leadership team is being strengthened to improve the customer experience and drive efficiency in product development, accelerating new product introductions in both software and hardware categories. The new debt facilities provide a solid platform from which we can further develop our product range, both organically and inorganically.

Over the period we have made considerable progress in strengthening specific areas of the business, though much work remains.

- Vikki Macleod was appointed as a Non-Executive Director in March 2019. Vikki's skillset in leading software development teams is helping accelerate technology changes within the business that will ultimately benefit IndigoVision's customers.
- A new Head of Marketing was appointed in March 2019, with the aim of improving lead generation, brand awareness and market communications.
- The Company has appointed a Vice-President of Product Management and a Head of Customer Care and Operations and is seeking a new Vice-President of Engineering. Paul Theasby, Chief Operating Officer, will leave the Company at the end of September 2019. His role is not being directly replaced; instead, it is intended that these new roles will strengthen the leadership of the product management and R&D functions, and improve the overall customer experience.
- During the period, the Company received two large customer orders, each of which was in excess of $1m. These orders, which relate to the open space and car parking facilities in a substantial commercial building and a mass transit rail line, both in Malaysia, will be delivered over a period of up to 18 months.

Outlook

The actions taken in 2018 to refocus the Company's strategy continue to drive improvements throughout the business. As in previous years, sales are expected to be weighted towards the second half of the year and the nature of IndigoVision's business is that the precise timing of customer orders is difficult to predict. Nevertheless, the current indicators continue to support the Board's target to return the Group to profitability in the current year and for the business to deliver an acceptable level of profitability from 2020.

Max Thowless-Reeves, Chairman commented:

"Our objective has been to eliminate losses, achieve an acceptable level of profitability and to sustain and grow profits in the long term. The return to profit in H1, the first time this has been achieved since 2014, is both an important milestone in our progress towards this objective and validation of the new strategy and execution.

Evidence of the turnaround has been palpable inside the business for some time and is now increasingly visible in the numbers. There remains considerable heavy-lifting to be undertaken but the direction of travel and momentum in the business reflects the considerable achievements of the Board and staff to date; we remain on track".

Notes to Editors

About IndigoVision

IndigoVision is a leader in the design and supply of high performance, highly-intelligent video security systems for security installations of differing sizes and complexity. From video capture and transmission to analysis and storage, IndigoVision's networked video security systems provide the best quality and most secure video evidence, using market leading compression technology to minimise bandwidth and reduce storage costs.

IndigoVision's technology is ideally suited for use in mission critical facilities such as government, oil and gas, transport, cities, industry, retail, education, police, prisons and casinos to improve public safety, protect assets, develop organisations' operational efficiency and support law enforcement.

IndigoVision has sales and support teams in 24 countries with its headquarters in Edinburgh and regional offices in New Jersey, Toronto, Dubai and Sao Paulo. IndigoVision partners with a network of some 1,300 trained and authorised IndigoVision resellers to provide local system design, installation and servicing to IndigoVision's system users.

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Shareholder information

The Company's website, which carries copies of prior year accounts and stock exchange announcements, can be accessed at www.indigovision.com

Shareholder calendar

5 March 2020	Publication of the preliminary results announcement for the year ending 31 December 2019

Chairman's Statement

Results

In the six months to 30 June 2019, revenue was $24.1m compared with $22.2m in the corresponding period last year. The impact of investment in sales teams and efficiency improvements has been evident, as revenues increased by $1.9m (8.3%) and continuing a trend of revenue growth seen in the last four successive half year periods.

As in 2018, the Asia Pacific and North America regions continued to enjoy strong sales growth, up 31% and 15% respectively. EMEA region sales were in line with last year however Latin America revenues were 43% below 2018 levels, due to the timing of certain city surveillance projects and significant price pressure in the region, as the larger Chinese camera manufacturers seek take market share in the region.

The positive step change in gross margin seen last year has been maintained, with the gross margin for the six month period averaging 57.4% (2018: 58.0%).

Overheads (pre-FX), at $13.3m, were 4% lower than the first half of 2018 ($13.9m). The Group incurred an FX loss of $0.1m in the six months to 30 June 2019 (2018: $nil). Following the awards made under the 2018 Long Term Incentive Plan in November, a share based payment charge of $0.1m was incurred in the period (2018: $nil).

The operating profit for the six months ended 30 June 2019 was $0.4m (2018: operating loss of $1.1m). The profit after tax was $0.5m (2018: loss after tax of $1.1m), representing earnings per share of 6.3 cents (2018: loss per share 14.3 cents).

The Board regards earnings before interest, tax, depreciation and amortisation ("EBITDA") as a more relevant measure of corporate performance since it is able to show earnings before the influence of accounting and financial deductions. EBITDA for the six months ended 30 June 2019 was $1.0m (2018: loss before interest, tax, depreciation and amortisation of $0.7m).

Net cash as at 30 June 2019 of $2.8m represented an improvement from $2.0m at 31 December 2018, reflecting the return to profitability and UK tax receipts associated with R&D tax credits. Working capital recorded an outflow as a result of increased receivables aligned with sales growth, offset by further reductions in inventory.

Markets and Products

On 13 August 2018, the US Government enacted legislation, the National Defense Authorization Act (NDAA) 2019, placing restrictions on the use of certain manufacturers' hardware products, either for standalone supply or as a substantial or essential component or as critical technology within any system for US government and US government-funded contracts with effect from 13 August 2019.

In addition, the impact and extent of tariffs, especially in relation to the distribution of Chinese manufactured product into the US, remains dynamic, with the US current tariff on certain of the Group's products being 25%. The high pace of change in this regard does however bring a corresponding amount of uncertainty, however the Group does not currently foresee these factors impacting materially on its ability to fulfil contractual commitments in the US. Also, the developing supply chain partnerships and flexibility diminish the Group's reliance on specific companies and supply locations and mitigates the impact of tariffs.

The Group continues to look at exciting partnership opportunities to combine IndigoVision's scale and technology base with emerging technology providers to create further innovative new products, possibly including bolt-on acquisitions of complementary technologies.

Financing and Share Buyback programme

The Group currently has no debt and has recently secured a three year asset based debt facility of up to $10.0m with FGI Worldwide LLC, a US based finance firm. This new debt facility will provide the Group with increased working capital and the ability to acquire complementary technology should such opportunities arise.

The Board's policy is to maintain a strong balance sheet, to provide headroom and flexibility for investment should the right opportunities arise. Following the conclusion of the new debt facility, and having regard to the cash profile of the Company's trading activities; the persistent gap between the market valuation of the Company and the Board's assessment of intrinsic value; and the earnings per share benefit arising from the deployment of surplus cash to retire equity in the prevailing environment of nominal interest rates, the Directors consider that implementation of a buyback programme is in the interests of shareholders as a whole.

The extent of the buyback programme will be within the number of shares permitted pursuant to the general authority renewed at the Annual General Meeting on 16 May 2019. The Company has reserved the right either to terminate or to adjust the extent of the buyback programme at any time.

The Company has appointed N+1 Singer Capital Markets Limited ("N+1 Singer") to execute purchases of shares under the buyback programme under its instructions. The maximum price to be paid is limited to no more than 105 per cent. of the average middle market closing price of the Company's shares for the 5 dealing days preceding the date of purchase. Any shares purchased will be held in treasury.

The Company will not pay an interim dividend this year.

Outlook

The actions taken continue to drive improvements throughout the business. As in previous years, sales are expected to be weighted towards the second half of the year and the nature of IndigoVision's business is such that the precise timing of customer orders is difficult to predict. Nevertheless, the current indicators continue to support the Board's target to return the Group to profitability in the current year and for the business to deliver an acceptable level of profitability from 2020.

Max Thowless-Reeves
Chairman
13 August 2019

Consolidated statement of comprehensive income

For the 6 months ended 30 June 2019

	Note	**6 months ended 30 June 2019**	6 months ended 30 June 2018	12 months ended 31 December 2018
		$000	$000	$000
Revenue		**24,063**	22,210	45,964
Cost of sales		**(10,246)**	(9,325)	(19,567)
Gross profit		**13,817**	12,885	26,397
Research and development expenditure		**(1,409)**	(1,541)	(2,912)
Selling and distribution expenses		**(9,265)**	(8,986)	(19,114)
Other administrative expenses		**(2,664)**	(3,409)	(4,805)
Foreign exchange loss		**(91)**	(2)	(206)
Operating profit/(loss)		**388**	(1,053)	(640)
Financial (expense)/income		**(43)**	1	1
Profit/(loss) before taxation		**345**	(1,052)	(639)
Income tax credit/(expense)		**117**	(1)	337
Profit/(loss) for the period attributable to equity holders of the parent		**462**	(1,053)	(302)
Other comprehensive income				
Foreign exchange translation differences on foreign operations		**119**	(55)	(133)
Total comprehensive profit/(loss) for the year attributable to equity holders of the parent		**581**	(1,108)	(435)
Earnings per ordinary share				
Basic earnings/(loss) per share (cents)	*3*	**6.3**	(14.3)	(4.1)
Diluted earnings/(loss) per share (cents)	*3*	**6.2**	(14.3)	(4.1)

Revenue and loss for the current and comparative periods relate wholly to continuing activities.

Consolidated balance sheet

As at 30 June 2019

	30 June 2019	30 June 2018	31 December 2018
	$000	$000	$000
Non-current assets			
Property, plant and equipment	**856**	1,704	989
Right-of-use assets	**1,928**	-	-
Intangible assets	**255**	426	352
Deferred tax	**1,733**	1,803	1,732
Total non-current assets	**4,772**	3,933	3,073
Current assets			
Inventories	**7,414**	10,259	8,011
Trade and other receivables	**15,447**	13,151	14,691
Cash and cash equivalents	**2,766**	2,715	2,024
Total current assets	**25,627**	26,125	24,726
Total assets	**30,399**	30,058	27,799
Current liabilities			
Trade and other payables	**9,125**	12,841	9,188
Provisions	**190**	138	138
Lease liabilities	**258**	-	-
Total current liabilities	**9,573**	12,979	9,326
Non-current liabilities			
Other non-current liabilities	**1,772**	1,211	1,932
Provisions	**111**	45	45
Lease liabilities	**1,701**	-	-
Total non-current liabilities	**3,584**	1,256	1,977
Total liabilities	**13,157**	14,235	11,303
Net assets	**17,242**	15,823	16,496
Equity			
Called up share capital	**120**	120	120
Share premium account	**2,684**	2,684	2,684
Other reserve	**8,080**	8,080	8,080
Treasury/own share reserve	**(268)**	(268)	(268)
Translation reserve	**(610)**	(651)	(729)
Profit and loss account	**7,236**	5,858	6,609
Total equity attributable to equity holders of the parent	**17,242**	15,823	16,496

Consolidated statement of changes in equity

$000	Share capital	Share premium	Other reserve	Translation reserve	Treasury/own share reserve	Retained earnings	Total equity
Balance at 1 January 2019	120	2,684	8,080	(729)	(268)	6,609	16,496
Profit for the period	-	-	-	-	-	462	462
Difference on translation	-	-	-	119	-	-	119
Equity-settled transactions, including deferred tax effect	-	-	-	-	-	121	121
Adoption of IFRS 16 adjustment	-	-	-	-	-	44	44
Balance at 30 June 2019	**120**	**2,684**	**8,080**	**(610)**	**(268)**	**7,236**	**17,242**

$000	Share capital	Share premium	Other reserve	Translation reserve	Treasury/ own share reserve	Retained earnings	Total equity
Balance at 1 January 2018	120	2,684	8,080	(596)	(268)	6,911	16,931
Loss for the period	-	-	-	-	-	(1,053)	(1,053)
Difference on translation	-	-	-	(55)	-	-	(55)
Balance at 30 June 2018	**120**	**2,684**	**8,080**	**(651)**	**(268)**	**5,858**	**15,823**

$000	Share capital	Share premium	Other reserve	Translation reserve	Treasury/ own share reserve	Retained earnings	Total equity
Balance at 1 January 2018	120	2,684	8,080	(596)	(268)	6,911	16,931
Loss for the period	-	-	-	-	-	(302)	(302)
Difference on translation	-	-	-	(133)	-	-	(255)
Balance at 31 December 2018	**120**	**2,684**	**8,080**	**(729)**	**(268)**	**6,609**	**16,496**

Consolidated statement of cash flows
For the 6 months ended 30 June 2019

	6 months ended 30 June 2019	6 months ended 30 June 2018	12 months ended 31 December 2018
	$000	$000	$000
Cash flows from operating activities			
Profit/(loss) for the period	**462**	(1,053)	(302)
Adjusted for:			
Depreciation and amortisation	**577**	396	886
Financial expense/(income)	**43**	(1)	(1)
Share based payment expense	**121**	30	25
Foreign exchange loss/(gain)	**91**	(14)	206
Loss on disposal of property, plant and equipment	**1**	2	37
Income tax (credit)/charge	**(117)**	1	(337)
Decrease/(increase) in inventories	**597**	(1,323)	925
Increase in trade and other receivables	**(1,344)**	(50)	(1,591)
(Decrease)/increase in trade and other payables	**(223)**	2,864	(78)
Increase in provisions	**118**	-	-
Cash generated from/(absorbed by) operations	**326**	852	(230)
Income taxes received	**588**	-	228
Net cash inflow/(outflow) from operating activities	**914**	852	(2)
Cash flows from investing activities			
Interest (paid)/received	**(43)**	1	1
Acquisition of property, plant and equipment	**(184)**	(506)	(275)
Acquisition of intangibles	**(17)**	(164)	(133)
Proceeds from sale of fixed assets	**-**	-	-
Net cash outflow from investing activities	**(244)**	(669)	(407)
Cash flows from financing activities			
Dividends paid	**-**	-	-
Finance lease payments	**(9)**	(10)	(19)
Lease liability payments	**(158)**	-	-
Purchase of own shares	**-**	-	-
Net cash outflow from financing activities	**(167)**	(10)	(19)
Net increase/(decrease) in cash and cash equivalents	**503**	173	(428)
Cash and cash equivalents at start of period	**2,024**	2,574	2,574
Effect of exchange rate fluctuations on cash held	**238**	(32)	(122)
Cash and cash equivalents at period end	**2,765**	2,715	2,024

Notes to the accounts:

1. Basis of preparation and accounting policies

IndigoVision Group plc ("the Company") is domiciled in Scotland. The consolidated interim financial statements ("the interim report") of the Company for the six months ended 30 June 2019 comprise the Company and its subsidiaries together referred to as "the Group". The interim report was approved by the Board on 13 August 2019.

The financial information is prepared on a historical cost basis and is presented in US Dollars, rounded to the nearest thousand.

Other than as set out in note 5, these financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published financial statements for the period ended 31 December 2018.

The financial information set out in these interim statements does not constitute the Company's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the period ended 31 December 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, are available on the Company's website at www.indigovision.com and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The interim financial information for the 6 month period ended 30 June 2019 is unaudited.

2. Earnings before interest, tax, depreciation and amortization ("EBITDA")

	Six months ended 30 June 2019	Six months ended 30 June 2018	12 months ended 31 December 2018
	$000	$000	$000
Operating profit/(loss)	**388**	(1,053)	(640)
Add back:			
Depreciation and amortisation	**577**	396	886
Earnings/(loss) before interest, tax, depreciation and amortisation	**965**	(657)	246

EBITDA is an accounting measure which the Board uses to calculate the Group's current operating profitability allowing them to focus specifically on operational performance.

3. Earnings per share

	Six months ended 30 June 2019	Six months ended 30 June 2018	12 months ended 31 December 2018
	\$000	\$000	\$000
Profit/(loss) for the period attributable to equity shareholders (basic and diluted)	**462**	(1,053)	(302)
	Cents	Cents	Cents
Basic earnings/(loss) per share	**6.3**	(14.3)	(4.1)
Diluted earnings/(loss) per share	**6.2**	(14.3)	(4.1)

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for each period were calculated as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018	12 months ended 31 December 2018
	No of shares	No of shares	No of shares
Issued ordinary shares at start of year	**7,610,756**	7,610,756	7,610,756
Effect of weighted average of shares issued during the period from exercise of employee share options	**58,097**	-	-
Effect of purchase of own shares	**(229,238)**	(229,238)	(229,238)
Weighted average number of ordinary share for the period - for earnings per share	**7,439,615**	7,381,518	7,381,518

4. Taxation

The tax charge in the current period a proportion of the R&D tax credit, the retranslation of the GBP deferred tax asset to the closing USD FX rate and foreign taxes paid. Other receivables at 30 June 2019 include a corporation tax refund due of $0.5m (2018: $0.4m)

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 31 December 2018 such losses amounted to $27.2m, the deferred tax asset in relation to these trading losses of $1.7m, which has been recognised in the financial statements with a reduced recovery period as previously disclosed in the annual report.

5. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The group has adopted IFRS 16 (Leases) from 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The impact of the new standard on the consolidated statement of comprehensive income and balance sheet is shown below. No adjustments were required to prior year comparatives.

	Balance sheet carrying amount 31 December 2018 $000	Restatement $000	**IFRS 16 carrying amount 1 January 2019 $000**
Profit and loss account	(6,609)	(44)	**(6,653)**
Trade and other payables	(9,188)	44	**(9,144)**

	Balance sheet carrying amount 31 December 2018 $000	Restatement $000	**IFRS 16 carrying amount 1 January 2019 $000**
Right-of-use assets	-	2,073	**2,073**
Lease liabilities			
- Due within one year		(251)	**(251)**
- Due after more than one year		(1,822)	**(1,822)**

	Consolidated statement of comprehensive income pre-adoption of IFRS 16 30 June 2019 $000	IFRS 16 $000	**Consolidated statement of comprehensive income post-adoption of IFRS 16 30 June 2019 $000**
Other administrative expenses			
- Depreciation and amortisation	(433)	(144)	**(577)**
- Rent expense	(244)	158	**(86)**
Foreign exchange loss	(90)	(1)	**(91)**
Financial expense	1	(44)	**(43)**
Total impact on profit for the period		(31)	