



# IndigoVision Group plc

## Interim Report 2016

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## IndigoVision Group plc (“IndigoVision” or “The Group”)

Interim Results for the six months ending 30 June 2016

### Financial Highlights

- Overall revenue \$21.8m (2015: \$22.6m)
- Camera volumes 20% ahead
- Gross margin maintained despite downward pricing pressure
- Overheads reduced by 8% to \$11.9m (2015: \$12.9m)
- Operating loss reduced by \$1.0m to \$0.3m (2015: \$1.3m)
- Net cash at 30 June 2016 \$4.6m (2015: net debt \$0.5m) reflecting strong focus on working capital

### Operational Highlights

- Major new project wins:
  - Healthcare, education and banking projects in the Middle East
  - Casino projects in North America
  - Safe cities projects in Latin America
- Product launches included:
  - Additions to the BX camera range including Fisheye 360°
  - FrontLine 2, second generation Body Worn Video camera
  - Enterprise NVR-AS 4000 with a Linux Operating System
  - Five new integrations with leading access control and intercom software providers
- Successful withdrawal from own camera manufacture completed in January 2016

### **Marcus Kneen, Chief Executive, commented:**

*“The results for the first half of 2016 are a strong improvement on 2015, notwithstanding falling camera prices across the market as a whole. The tiered camera offering introduced last year has been well received and this concept will be extended to software later this year, enabling IndigoVision’s products to be competitive in all sectors of the market”.*

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## Notes to Editors

### About IndigoVision

#### **IndigoVision's business is security**

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 is reliable**

IndigoVision's unique Distributed Network Architecture removes the need for a central server. So there is greater resilience, no single point of failure, reduced latency and no network bottlenecks.

#### **IndigoVision systems are secure and scalable**

IndigoVision's system is end-to-end, a complete video/audio security solution from camera to controller, so it is both remarkably secure and remarkably stable. Offering all the reliability and compatibility benefits of a closed system, but with hardware and management software which is open, customers are able to integrate their cameras and security systems, making migration and expansion easy.

#### **IndigoVision keeps important places safe**

IndigoVision's technology is ideally suited for mission critical facilities - airports, casinos, cities, banks, police, government, oil and gas, transport, cities, education and industry. IndigoVision's systems help protect assets, improve operational efficiency, and support law enforcement.

#### **We support our customers**

Sales and support teams operate in 23 countries and 18 regional centres: in Edinburgh, London, Paris, Amsterdam, Dusseldorf, Johannesburg, Dubai, Mumbai, Singapore, Macau, Shanghai, Sydney, Mexico City, Toronto, Bogotá, New Jersey, Buenos Aires and Sao Paulo. We partner with a network of 984 authorised IndigoVision resellers, who we train. They provide local system design, installation, and servicing to system users.

#### **At IndigoVision, we know how to keep people and property safe. Safe is a wonderful feeling**

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**Enquiries to:**

|                        |                    |                      |
|------------------------|--------------------|----------------------|
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|                        | Chris Lea (CFO)    |                      |

|                               |              |                      |
|-------------------------------|--------------|----------------------|
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|-------------------------------|--------------|----------------------|

**Shareholder information**

Our website can be accessed at [www.indigovision.com](http://www.indigovision.com) which carries copies of prior year accounts and stock exchange announcements.

**Shareholder calendar**

|              |   |
|--------------|---|
| 2 March 2017 | Annual report and accounts for the year ending 31 December 2016 |
|--------------|---|

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## Chairman's Statement

As announced on 8 July 2016, sales in the six month period to 30 June 2016 amounted to \$21.8million. Within this, camera volumes increased markedly but this gain was offset by lower camera prices arising from continued competitive market conditions. Notwithstanding the market challenges, gross margin remained broadly in line with 2015 as a whole and within the Group's normal trading range.

### Results

In the six months to 30 June 2016 revenue was \$21.8m compared with \$22.6m in the corresponding period last year. The volume of cameras sold in the period increased by 20%, but at lower average selling prices, as substantial price cuts by a number of far-eastern manufacturers affected the market as a whole.

Sales growth has been strong across the Middle East, with successful projects delivered in healthcare, education, finance and safe cities across the region. By contrast, Latin America remains a challenging market, due to reduced capital expenditure budgets in economies exposed to commodity prices.

Despite the reduction in camera selling prices, a gross margin of 52.1% compares favourably to the full year 2015 margin of 51.4% (H1 2015: 52.8%) as, following the withdrawal from manufacture of IndigoVision's own camera range in early 2016, the Group was able to benefit from lower camera prices by purchasing hardware at reduced prices from manufacturing partners.

Overhead reductions achieved during the second half of 2015 have been maintained, notwithstanding the one-off redundancy costs of \$0.1m associated with the withdrawal from manufacture of the Group's own range of cameras. Research and development spend is being maintained at a consistent percentage of between 8% and 10% of sales to ensure that the Group continues to innovate and release a regular stream of new products. The Group's research and development is now wholly focused on a software-led end-to-end video security. The Group continues to invest in its people, with continued investment in high quality, experienced engineers and sales and marketing personnel across its core markets.

The operating loss for the six months ended 30 June 2016 was \$0.3m (2015: \$1.3m). As a result of the stronger US dollar, which reduced operating expenses denominated in euros and sterling when translated into US dollars, the Group benefitted from foreign exchange gains of \$0.2m in the period (2015 losses: \$0.2m). The loss after tax was \$0.3m (2015: \$0.9m), representing a loss per share of 4.1 cents (2015: 12.3 cents).

Following the challenges of 2015, working capital management has been an area of focus; net cash as at 30 June 2016 of \$4.6m represented a significant improvement on the net debt of \$0.5m at 30 June 2015. In addition, the Group has unutilised overdraft facilities of \$4.0m.

### Taxation

The Group currently has a deferred tax asset of \$4.9m which arose in relation to historical trading losses. In light of the current trend in product pricing and the continuing availability of research and development tax credits, the Group intends to re-evaluate the likelihood of fully utilising its tax losses over the medium term when preparing its 2016 annual financial statements. The Board continues to expect that the Group will not pay cash tax in the foreseeable future.

### Dividends

The Board continues to believe that the discipline of paying dividends to shareholders benefits the business and its planning. It is also the Board's policy that dividends relate to earnings and, given the first half loss, the Company will not pay an interim dividend this year. The Board currently expects to recommend a final dividend to shareholders when the annual results are published.

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## **Markets and Products**

IndigoVision products are used in many market sectors, using a wide range of cameras, for a variety of customers from small and medium sized enterprises to large and multinational corporations. The Group is particularly well known in the enterprise markets of airports, safe cities, banks, casinos and law enforcement. End users value the image quality, reliability and scalability of the IndigoVision system, together with the end-to-end customised solutions achieved through an extensive suite of integration modules with operational and other security software. The first half saw major project wins in Colombian safe cities, a leading bank in the Middle East and a large casino in the USA, as well as installations for the petrochemical, rail, mining, telecoms, industrial, retail and residential sectors.

The Group continues to expand its product range, offering hardware at a series of differing price points to suit end-user requirements across the SME to enterprise markets. The Group will shortly be launching a similar, three-tier version of its Control Centre video management software, which is expected to open up segments of the market where IndigoVision has not operated historically. This broadening of the product offering is expected to create additional sales opportunities and to help to reduce the volatility which arises from the Group's exposure to individually large projects in developing economies.

## **Board Changes**

After nine years with the Group, the last four of which were as CFO, Holly McComb stepped down from the Board on 31 May 2016. I would like to thank Holly for her valuable contribution over that time. Holly's successor, Chris Lea, was appointed as a Director on 19 May 2016 and took up his role as CFO effective 4 July 2016.

## **Outlook**

After a quiet start to 2016, the Group experienced an improving trend in financial results as the first half progressed. The pipeline of large projects for the second half is stronger than the first half and, although market conditions remain highly competitive and the timing of a number of customer projects remains uncertain, the Group currently anticipates a satisfactory operating result for the year as a whole.

HAMISH GROSSART  
Chairman  
15 September 2016

## Consolidated statement of comprehensive income

For the 6 months ended 30 June 2016

|   | Note | 6 months ended<br>30 June 2016 | 6 months ended<br>30 June 2015 | 12 months ended<br>31 December 2015 |
|---|------|--------------------------------|--------------------------------|-------------------------------------|
|   |      | \$000                          | \$000                          | \$000                               |
| <b>Revenue</b>  |      | <b>21,789</b>                  | 22,577                         | 47,093                              |
| Cost of sales   |      | <b>(10,428)</b>                | (10,666)                       | (22,881)                            |
| <b>Gross profit</b>   |      | <b>11,361</b>                  | 11,911                         | 24,212                              |
| Research and development expenditure  |      | <b>(1,901)</b>                 | (2,295)                        | (4,399)                             |
| Selling & distribution expenses   |      | <b>(7,827)</b>                 | (8,448)                        | (15,834)                            |
| Redundancy costs  |      | <b>(102)</b>                   | -                              | -                                   |
| Other administrative expenses   |      | <b>(2,046)</b>                 | (2,196)                        | (4,786)                             |
| Foreign exchange gain/(loss)  |      | <b>240</b>                     | (228)                          | 64                                  |
| <b>Operating loss</b>   |      | <b>(275)</b>                   | (1,256)                        | (743)                               |
| Financial income/(expense)  |      | <b>6</b>                       | (2)                            | (10)                                |
| <b>Loss before taxation</b>   |      | <b>(269)</b>                   | (1,258)                        | (753)                               |
| Income tax (expense)/credit   |      | <b>(36)</b>                    | 338                            | 269                                 |
| <b>Loss for the period attributable to equity holders of the parent</b>                   |      | <b>(305)</b>                   | (920)                          | (484)                               |
| <b>Other comprehensive income</b>   |      |                                |                                |                                     |
| Foreign exchange translation differences on foreign operations                            |      | <b>(237)</b>                   | (6)                            | (509)                               |
| <b>Total comprehensive loss for the year attributable to equity holders of the parent</b> |      | <b>(542)</b>                   | (926)                          | (993)                               |
| <b>Earnings per ordinary share</b>  |      |                                |                                |                                     |
| Basic loss per share (cents)  | 2    | <b>(4.1)</b>                   | (12.3)                         | (6.5)                               |
| Diluted loss per share (cents)  | 2    | <b>(4.1)</b>                   | (12.3)                         | (6.5)                               |

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

## Consolidated balance sheet

As at 30 June 2016

|  | 6 months ended<br>30 June 2016 | 6 months ended<br>30 June 2015 | 12 months ended<br>31 December<br>2015 |
|--|--------------------------------|--------------------------------|--|
|  | \$000                          | \$000                          | \$000                                  |
| <b>Non-current assets</b>  |                                |                                |  |
| Property, plant & equipment                                      | 1,186                          | 1,662                          | 1,443                                  |
| Intangible assets  | 56                             | 90                             | 72                                     |
| Deferred tax   | 4,851                          | 5,419                          | 4,852                                  |
| <b>Total non-current assets</b>                                  | <b>6,093</b>                   | <b>7,171</b>                   | <b>6,367</b>                           |
| <b>Current assets</b>  |                                |                                |  |
| Inventories  | 7,986                          | 12,829                         | 9,494                                  |
| Trade & other receivables  | 12,661                         | 14,326                         | 12,575                                 |
| Cash & cash equivalents  | 4,637                          | 312                            | 2,763                                  |
| <b>Total current assets</b>                                      | <b>25,284</b>                  | <b>27,467</b>                  | <b>24,832</b>                          |
| <b>Total assets</b>  | <b>31,377</b>                  | <b>34,638</b>                  | <b>31,199</b>                          |
| <b>Current liabilities</b>                                       |                                |                                |  |
| Bank overdraft   | -                              | 776                            | -                                      |
| Trade and other payables   | 8,676                          | 10,296                         | 7,671                                  |
| Provisions   | 138                            | 137                            | 137                                    |
| <b>Total current liabilities</b>                                 | <b>8,814</b>                   | <b>11,209</b>                  | <b>7,808</b>                           |
| <b>Non-current liabilities</b>                                   |                                |                                |  |
| Provisions   | 45                             | 45                             | 45                                     |
| <b>Total non-current liabilities</b>                             | <b>45</b>                      | <b>45</b>                      | <b>45</b>                              |
| <b>Total liabilities</b>   | <b>8,859</b>                   | <b>11,254</b>                  | <b>7,853</b>                           |
| <b>Net assets</b>  | <b>22,518</b>                  | <b>23,384</b>                  | <b>23,346</b>                          |
| <b>Equity</b>  |                                |                                |  |
| Called up share capital  | 120                            | 120                            | 120                                    |
| Share premium account  | 2,684                          | 2,684                          | 2,684                                  |
| Other reserve  | 8,080                          | 8,081                          | 8,080                                  |
| Translation reserve  | (68)                           | 672                            | 169                                    |
| Profit and loss account  | 11,702                         | 11,827                         | 12,293                                 |
| <b>Total equity attributable to equity holders of the parent</b> | <b>22,518</b>                  | <b>23,384</b>                  | <b>23,346</b>                          |



## Consolidated statement of changes in equity

| \$000  | Share capital | Share premium | Other reserve | Translation reserve | Retained earnings | Total equity  |
|--|---------------|---------------|---------------|---------------------|-------------------|---------------|
| <b>Balance at 1 January 2016</b>                           | 120           | 2,684         | 8,080         | 169                 | 12,293            | 23,346        |
| Loss for the period  | -             | -             | -             | -                   | (305)             | (305)         |
| Difference on translation                                  | -             | -             | -             | (237)               | -                 | (237)         |
| Share options exercised by employees                       | -             | -             | -             | -                   | -                 | -             |
| Equity-settled transactions, including deferred tax effect | -             | -             | -             | -                   | -                 | -             |
| Dividends paid to equity holders                           | -             | -             | -             | -                   | (286)             | (286)         |
| <b>Balance at 30 June 2016</b>                             | <b>120</b>    | <b>2,684</b>  | <b>8,080</b>  | <b>(68)</b>         | <b>11,702</b>     | <b>22,518</b> |

| \$000  | Share capital | Share premium | Other reserve | Translation reserve | Retained earnings | Total equity  |
|--|---------------|---------------|---------------|---------------------|-------------------|---------------|
| <b>Balance at 1 January 2015</b>                           | 119           | 2,666         | 8,080         | 678                 | 13,371            | 24,914        |
| Profit for the period                                      | -             | -             | -             | -                   | (920)             | (920)         |
| Difference on translation                                  | -             | -             | 1             | (6)                 | -                 | (5)           |
| Share options exercised by employees                       | 1             | 18            | -             | -                   | -                 | 19            |
| Equity-settled transactions, including deferred tax effect | -             | -             | -             | -                   | (50)              | (50)          |
| Dividends paid to equity holders                           | -             | -             | -             | -                   | (574)             | (574)         |
| <b>Balance at 30 June 2015</b>                             | <b>120</b>    | <b>2,684</b>  | <b>8,081</b>  | <b>672</b>          | <b>11,827</b>     | <b>23,384</b> |

| \$000  | Share capital | Share premium | Other reserve | Translation reserve | Retained earnings | Total equity  |
|--|---------------|---------------|---------------|---------------------|-------------------|---------------|
| <b>Balance at 1 January 2015</b>                           | 119           | 2,666         | 8,080         | 678                 | 13,371            | 24,914        |
| Profit for the period                                      | -             | -             | -             | -                   | (484)             | (484)         |
| Difference on translation                                  | -             | -             | -             | (509)               | -                 | (509)         |
| Share options exercised by employees                       | 1             | 18            | -             | -                   | -                 | 19            |
| Equity-settled transactions, including deferred tax effect | -             | -             | -             | -                   | (21)              | (21)          |
| Dividends paid to equity holders                           | -             | -             | -             | -                   | (573)             | (573)         |
| <b>Balance at 31 December 2015</b>                         | <b>120</b>    | <b>2,684</b>  | <b>8,080</b>  | <b>169</b>          | <b>12,293</b>     | <b>23,346</b> |

## Consolidated statement of cash flows

For the 6 months ended 30 June 2016

|  | 6 months ended<br>30 June 2016 | 6 months ended<br>30 June 2015 | 12 months ended<br>31 December 2015 |
|--|--------------------------------|--------------------------------|-------------------------------------|
|  | \$000                          | \$000                          | \$000                               |
| <b>Cash flows from operating activities</b>                |                                |                                |                                     |
| Loss for the year  | (305)                          | (920)                          | (484)                               |
| Adjusted for:  |                                |                                |                                     |
| Depreciation and amortisation                              | 489                            | 566                            | 1,124                               |
| Financial expense  | (6)                            | 2                              | 10                                  |
| Share based payment (credit)/expense                       | -                              | (50)                           | 9                                   |
| Foreign exchange (gain)/ loss                              | (220)                          | 248                            | 267                                 |
| Gain on disposal of property, plant and equipment          | (12)                           | -                              | (25)                                |
| Income tax charge/(credit)                                 | 35                             | (338)                          | (269)                               |
| Decrease/(increase) in inventories                         | 1,508                          | (2,433)                        | 902                                 |
| (Increase)/decrease in trade and other receivables         | (332)                          | 3,354                          | 5,105                               |
| Increase/(decrease) in trade and other payables            | 1,005                          | (2,385)                        | (5,010)                             |
| Increase/(decrease) in provisions                          | 1                              | -                              | -                                   |
| <b>Cash generated from/(absorbed by) operations</b>        | <b>2,163</b>                   | <b>(1,956)</b>                 | <b>1,629</b>                        |
| Income taxes received/(paid)                               | 246                            | (1)                            | (15)                                |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b>2,409</b>                   | <b>(1,957)</b>                 | <b>1,614</b>                        |
| <b>Cash flows from investing activities</b>                |                                |                                |                                     |
| Interest paid  | 6                              | (2)                            | (10)                                |
| Acquisition of property, plant and equipment               | (254)                          | (498)                          | (819)                               |
| Acquisition of intangibles                                 | (3)                            | (14)                           | (15)                                |
| <b>Net cash outflow from investing activities</b>          | <b>(251)</b>                   | <b>(514)</b>                   | <b>(844)</b>                        |
| <b>Cash flows from financing activities</b>                |                                |                                |                                     |
| Proceeds from the issue of share capital                   | -                              | 19                             | 19                                  |
| Dividends paid   | (286)                          | (574)                          | (573)                               |
| <b>Net cash outflow from financing activities</b>          | <b>(286)</b>                   | <b>(555)</b>                   | <b>(554)</b>                        |
| Net increase/(decrease) in cash and cash equivalents       | 1,872                          | (3,026)                        | 216                                 |
| Cash and cash equivalents at start of period               | 2,763                          | 2,559                          | 2,559                               |
| Effect of exchange rate fluctuations on cash held          | 2                              | 3                              | (12)                                |
| <b>Cash and cash equivalents at period end</b>             | <b>4,637</b>                   | <b>(464)</b>                   | <b>2,763</b>                        |

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## 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 2016 comprise the Company and its subsidiaries together referred to as “the Group”. The interim report was approved by the board of directors on 14 September 2016.

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

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 2015.

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 2015, 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](http://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 2016 is unaudited.

## 2. Earnings per share

|   | <b>Six months ended<br/>30 June 2016</b> | Six months ended<br>30 June 2015 | 12 months ended<br>31 December 2015 |
|---|--|----------------------------------|-------------------------------------|
|   | <b>\$000</b>                             | \$000                            | \$000                               |
| Loss for the period attributable to equity shareholders (basic and diluted) | <b>(305)</b>                             | (920)                            | (484)                               |
|   | <b>Cents</b>                             | Cents                            | Cents                               |
| Basic loss per share  | <b>(4.1)</b>                             | (12.3)                           | (6.5)                               |
| Diluted loss per share  | <b>(4.1)</b>                             | (12.3)                           | (6.5)                               |

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:

|   | <b>No of shares</b> | No of shares | No of shares |
|---|---------------------|--------------|--------------|
| Issued ordinary shares at start of year   | <b>7,610,756</b>    | 7,604,756    | 7,604,756    |
| Effect of weighted average of shares issued during the period from exercise of employee share options | -                   | 2,867        | 4,451        |
| Effect of purchase of own shares  | <b>(134,238)</b>    | (134,238)    | (134,238)    |
| Weighted average number of ordinary shares for the period - for basic earnings per share              | <b>7,476,518</b>    | 7,473,385    | 7,474,969    |
| Effect of share options in issue  | -                   | 4,141        | -            |
| Weighted average number of ordinary share for the period - for diluted earnings per share             | <b>7,476,518</b>    | 7,477,526    | 7,474,969    |

## 3. Taxation

The tax charge in the current period represents foreign taxes paid.

Other receivables at 30 June 2016 include a corporation tax refund due of \$0.5m (2015: \$0.3m)

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 30 June 2016 such losses amounted to \$24.2m, at a corporate tax rate of 20%, this is equivalent to a deferred tax asset in relation to these trading losses of \$4.9m, which has been fully recognised in the financial statements.