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

Interim Results for the six months ending 30 June 2017

Financial Highlights

- Revenue $20.4m (2016: $21.8m), with increased volumes
- Gross margin 51.1% (2016: 52.1%)
- Overheads reduced by 6% to $11.2m (2016: $11.9m) despite $0.9m of investment in US expansion
- Operating loss $0.7m (2016: $0.3m)
- Net cash at 30 June 2017 $4.9m (2016: $4.6m) reflecting strong focus on working capital

Operational Highlights

- Major new project wins:
    - Several casinos in North America
    - A number of safe city projects in Latin America
    - Major upgrades of airports across EMEA

- Product developments included:
    - CyberVigilant®, IndigoVision’s patented technology providing anomaly detection and monitoring within video networks
    - Advanced analytics using artificial intelligence, powered by BriefCam

Marcus Kneen, Chief Executive, commented:

“During the first half of 2017, IndigoVision has been executing on our strategic objectives to grow North American revenues and, through innovation, differentiate our product offering. Our North American sales and support team has been restructured and expanded, providing a robust platform for future growth. Innovative, patent protected new products such as CyberVigilant®, provide a cost effective means to make systems using IndigoVision or third party cameras more safe from external threats, giving customers even more reason to choose IndigoVision”.

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, 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 23 countries and operates through 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.

IndigoVision partners with a network of some 1,000 trained and authorised IndigoVision resellers to provide local system design, installation and servicing to IndigoVision's system users.

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Shareholder information

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

Shareholder calendar

1 March 2018	Publication of the preliminary results announcement for the year ending 31 December 2017

Chairman's Statement

Strategy

The focus for the Group is to increase its market share and improve its profitability. As previously reported the Group's strategy to achieve this is (i) continue to develop innovative and differentiated technology to meet the increased demand for intelligent video systems for both security and operational needs; (ii) strengthen the Group's sales presence in North America; (iii) continue to build relationships with key product development and supply chain partners; and (iv) improve efficiency and control operating costs.

Results

In the six months to 30 June 2017, revenue was $20.4m compared with $21.8m in the corresponding period last year. Revenues were reduced by $0.6m principally as a result of both sterling and the euro weakening against the US dollar year on year. The volume of cameras sold in the period increased by 11%, but at lower average selling prices, although the rate of price decline has reduced substantially from that experienced in previous years. The number of software licences sold increased 9%, though at lower average selling prices, in part, influenced by geographical mix. The Company's premium "Ultra" range still accounts for the majority of licence sales.

Despite difficult market conditions in Latin America, sales growth has been strong in the region this year, with a number of successful safe cities projects delivered across the region. APAC sales have also grown in 2017. By contrast, North America and the EMEA region have been more challenging. The timing of larger projects in EMEA is weighted more towards the second half of this year. Substantial changes in personnel have been required in North America and these changes are now largely complete.

Despite the reduction in selling prices, a gross margin of 51.1% remains in line with the full year 2016 margin of 50.9% (H1 2016: 52.1%).

Overheads, at $11.2m, were 6% lower than the first half of 2016. As indicated at the time of the AGM and in line with the Group's strategic focus on the North American market, the Group has implemented a major change in its North American operations, with a number of changes in personnel, strengthened management and expanded sales team and a re-positioning of the IndigoVision brand at the ISC West trade show in April. The incremental costs associated with this North American expansion in the first half of 2017 were $0.9m, of which $0.3m was one-off in nature. As a result, in North America, many new partners are being trained, a number of new partners have been authorised and the sales pipeline is building. The expansion plans do not anticipate a material improvement in North American sales performance until 2018.

Research and development spend has been broadly maintained at a consistent level to enable the Group to continue to differentiate its offering through innovation, with research and development now focused on software-led end-to-end video security.

The operating loss for the six months ended 30 June 2017 was $0.7m (2016: $0.3m). The loss after tax was $0.7m (2016: $0.3m), representing a loss per share of 9.2 cents (2016: 4.1 cents).

The working capital management improvements made last year have been maintained. After the purchase of own shares of $0.2m in the first half of the year, net cash as at 30 June 2017 of $4.9m represented a marginal improvement on the $4.6m at 30 June 2016. In addition, the Group has unutilised overdraft facilities of $4.0m. The Board continues to keep the share buyback programme under review.

Dividends

The Board continues to believe in the discipline of paying dividends to shareholders. It is the Board's policy that dividends should reflect earnings and, given the first half loss, the Company will not pay an interim dividend this year.

Markets and Products

IndigoVision products are used in many market sectors, 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 of 2017 saw major project wins in Latin American safe cities, expansion at airports and shopping malls in EMEA and a number of casinos in North America, as well as installations for the petrochemical, rail, mining, telecoms, industrial, retail and residential sectors.

IndigoVision's product strategy remains the design and sale of an innovative, software-led, complete end-to-end video security solution, inclusive of video management software, cameras, encoders, storage devices and integration to security and operational systems. There are few competitors that provide such a comprehensive end-to-end solution, and buyers value the system reliability inherent in the complete solution, as well as the ease of one-stop sourcing.

During the first half of 2017, the Group launched 25 new products, including nine new cameras comprising a complete new range of BX 4K cameras, a refresh of the GX range of cameras and a multi-sensor panoramic camera, plus two new releases of its Control Center software. IndigoVision will shortly release its CyberVigilant® product pre-announced earlier in the year, which uses the Group's extensive knowledge of video networks to detect and report anomalous behaviour and attempts to hack into a customer's video devices.

The upcoming ASIS trade show in the USA will see the launch of IndigoVision's artificial intelligence platform, incorporating advanced analytics powered by BriefCam, adding substantially to the range of analytics the Group can offer its customers. Along with a further release of the Control Center video management software, IndigoVision will release new web client video management software and a mobile app, allowing customers to manage their video networks remotely.

Board Changes

Hamish Grossart stepped down as Chairman on 1 July 2017 and from the Board on 31 July 2017. I was appointed to the Board as a Non-Executive Director on 1 June 2017 and took up my role as Chairman effective 1 July 2017. Max Thowless-Reeves was appointed as a Non-Executive Director on 1 June 2017.

Executive Appointment

The Group has long sought a global leader for the sales team to drive a sustained improvement in performance in its key markets. The Group is now in the latter stages of appointing an experienced Global Senior Vice President of Sales. A further announcement is expected to be made shortly.

Outlook

The Group's sales profile and hence full year results continue to be heavily weighted towards the second half, this year somewhat more than last. However, the strength of the current sales pipeline means the Board continues to anticipate an improved operating result in 2017, broadly in line with expectations.

The investments made in strengthening the North American sales team along with the other strategic actions are expected to drive further improvements from 2018.

George Elliott
Chairman
22 September 2017

Consolidated statement of comprehensive income

For the 6 months ended 30 June 2017

	Note	**6 months ended 30 June 2017**	6 months ended 30 June 2016	12 months ended 31 December 2016
		$000	$000	$000
Revenue		**20,427**	21,789	45,923
Cost of sales		**(9,977)**	(10,428)	(22,558)
Gross profit		**10,450**	11,361	23,365
Research and development expenditure		**(1,315)**	(1,901)	(3,358)
Selling & distribution expenses		**(7,754)**	(7,827)	(15,574)
Redundancy costs		**-**	(102)	-
Other administrative expenses		**(2,418)**	(2,046)	(4,605)
Foreign exchange gain		**330**	240	231
Operating (loss)/profit		**(707)**	(275)	59
Financial income		**6**	6	-
(Loss)/profit before taxation		**(701)**	(269)	59
Income tax credit/(expense)		**11**	(36)	(2,851)
Loss for the period attributable to equity holders of the parent		**(690)**	(305)	(2,792)
Other comprehensive income				
Foreign exchange translation differences on foreign operations		**(151)**	(237)	(510)
Total comprehensive loss for the year attributable to equity holders of the parent		**(841)**	(542)	(3,302)
Earnings per ordinary share				
Basic loss per share (cents)	*2*	**(9.2)**	(4.1)	(37.3)
Diluted loss per share (cents)	*2*	**(9.2)**	(4.1)	(37.3)
Adjusted loss per share (cents)	*2*	**(9.2)**	(4.1)	9.0

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

Consolidated balance sheet

As at 30 June 2017

6 months	6 months	12 months

	ended 30 June 2017 $000	ended 30 June 2016 $000	ended 31 December 2016 $000
Non-current assets			
Property, plant & equipment	**1,319**	1,186	1,236
Intangible assets	**161**	56	22
Deferred tax	**1,767**	4,851	1,687
Total non-current assets	**3,247**	6,093	2,945
Current assets			
Inventories	**8,047**	7,986	8,072
Trade & other receivables	**11,964**	12,661	12,772
Cash & cash equivalents	**4,865**	4,637	6,203
Total current assets	**24,876**	25,284	27,047
Total assets	**28,123**	31,377	29,992
Current liabilities			
Trade and other payables	**9,164**	8,676	9,990
Provisions	**138**	138	138
Total current liabilities	**9,302**	8,814	10,128
Non-current liabilities			
Other non-current liabilities	**29**	-	33
Provisions	**45**	45	45
Total non-current liabilities	**74**	45	78
Total liabilities	**9,376**	8,859	10,206
Net assets	**18,747**	22,518	19,786
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	**(210)**	-	-
Translation reserve	**(186)**	(68)	(341)
Profit and loss account	**8,259**	11,702	9,243
Total equity attributable to equity holders of the parent	**18,747**	22,518	19,786

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 2017	120	2,684	8,080	(341)	-	9,243	19,786
Loss for the period	-	-	-	-	-	(694)	(694)
Difference on translation	-	-	-	155	-	-	155

Purchase of own shares	-	-	-	-	(210)	-	(210)
Equity-settled transactions, including deferred tax effect	-	-	-	-	-	-	-
Dividends paid to equity holders	-	-	-	-	-	(290)	(290)
Balance at 30 June 2017	**120**	**2,684**	**8,080**	**(186)**	**(210)**	**8,259**	**18,747**

$000	Share capital	Share premium	Other reserve	Translation reserve	Treasury/ own share reserve	Retained earnings	Total equity
Balance at 1 January 2016	120	2,684	8,080	169	-	12,293	23,346
Profit 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)
Balance at 30 June 2016	**120**	**2,684**	**8,080**	**(68)**	**-**	**11,702**	**22,518**

$000	Share capital	Share premium	Other reserve	Translation reserve	Treasury/ own share reserve	Retained earnings	Total equity
Balance at 1 January 2016	120	2,684	8,080	169	-	12,293	23,346
Profit for the period	-	-	-	-	-	(2,792)	(2,792)
Difference on translation	-	-	-	(510)	-	-	(510)
Share options exercised by employees	-	-	-	-	-	-	-
Equity-settled transactions, including deferred tax effect	-	-	-	-	-	28	28
Dividends paid to equity holders	-	-	-	-	-	(286)	(286)
Balance at 31 December 2016	**120**	**2,684**	**8,080**	**(341)**	**-**	**9,243**	**19,786**

Consolidated statement of cash flows
For the 6 months ended 30 June 2017

	6 months ended 30 June 2017	6 months ended 30 June 2016	12 months ended 31 December 2016
	$000	$000	$000
Cash flows from operating activities			
Loss for the year	**(690)**	(305)	(2,792)
Adjusted for:			
Depreciation and amortisation	**393**	489	906
Financial income	**(6)**	(6)	-
Share based payment expense	**-**	-	38
Foreign exchange loss/(gain)	**20**	(220)	(231)
Gain/(loss) on disposal of property, plant and equipment	**(1)**	(12)	104
Income tax (credit)/charge	**(11)**	35	1,435
Decrease in inventories	**25**	1,508	1,422
Decrease/(increase) in trade and other receivables	**808**	(332)	491

Increase/(decrease) in trade and other payables	**(830)**	1,005	2,304
Increase/(decrease) in provisions	**-**	1	1
Cash generated from/(absorbed by) operations	**(292)**	2,163	3,678
Income taxes received	**22**	246	708
Net cash inflow/(outflow) from operating activities	**(270)**	2,409	4,386
Cash flows from investing activities			
Interest paid	**6**	6	-
Acquisition of property, plant and equipment	**(463)**	(254)	(663)
Acquisition of intangibles	**(152)**	(3)	(41)
Proceeds from sale of fixed assets	**-**	-	4
Net cash outflow from investing activities	**(609)**	(251)	(700)
Cash flows from financing activities			
Dividends paid	**(290)**	(286)	(286)
Purchase of own shares	**(210)**	-	-
Net cash outflow from financing activities	**(500)**	(286)	(286)
Net (decrease)/increase in cash and cash equivalents	**(1,379)**	1,872	3,400
Cash and cash equivalents at start of period	**6,203**	2,763	2,763
Effect of exchange rate fluctuations on cash held	**41**	2	40
Cash and cash equivalents at period end	**4,865**	4,637	6,203

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 2017 comprise the Company and its subsidiaries together referred to as "the Group". The interim report was approved by the board of directors on 21 September 2017.

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 2016.

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 2016, 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 2017 is unaudited.

2. Earnings per share

	Six months ended 30 June 2017	Six months ended 30 June 2016	12 months ended 31 December 2016

	$000	$000	$000
Loss for the period attributable to equity shareholders (basic and diluted)	**(690)**	(305)	(2,792)
Exceptional bad debt expense	**-**	-	300
Deferred tax adjustment	**-**	-	3,164
Adjusted profit for the year attributable to equity shareholders	**(690)**	(305)	672
	Cents	Cents	Cents
Basic loss per share	**(9.2)**	(4.1)	(37.3)
Diluted loss per share	**(9.2)**	(4.1)	(37.3)
Adjusted (loss)/earnings per share	**(9.2)**	(4.1)	9.0

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 2017 No of shares	Six months ended 30 June 2016 No of shares	12 months ended 31 December 2016 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	**-**	-	-
Effect of purchase of own shares	**(138,161)**	(134,238)	(134,238)
Weighted average number of ordinary share for the period - for earnings per share	**7,472,595**	7,476,518	7,476,518

The calculation of adjusted earnings per share for the year ended 31 December 2016 was based on the loss attributable to equity shareholders of $2,792,000, to which the deferred tax expense of $3,164,000 and the exceptional bad debt expense of $300,000 have been added back and a weighted average number of ordinary shares during the year ending 31 December 2016 of 7,476,518, calculated as shown above. Adjusted earnings per share has been presented as the movements related to deferred tax are dependent on a series of assumptions with associated inherent uncertainties which introduce substantial volatility in the deferred tax income/expense from year to year. The Board believes an adjusted earnings per share measure is required to reflect its view of the underlying performance and to align more closely with management targets and rewards. There were no such adjustments in the six months ending 30 June 2017 or 30 June 2016.

3. Taxation

The tax charge in the current period represents foreign taxes paid. Other receivables at 30 June 2017 include a corporation tax refund due of $0.4m (2016: $0.5m)

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 30 June 2017 such losses amounted to $24.1m, the deferred tax asset in relation to these trading losses of $1.8m, which has been recognised in the financial statements with a reduced recovery period as noted in the annual report for 2016.