20 September 2018

IndigoVision Group plc
(“IndigoVision”, the “Company” or the “Group”)

Interim Results for six months ending 30 June 2018

Financial Highlights

- Revenue increased by 9.5% to $22.2m (2017: $20.3m[1])
- Gross margin 58.0% (2017: 51.5%)
- Increased investment in R&D and the global sales team
- Operating loss $1.1m (2017: $0.7m)
- Net cash at 30 June 2018 $2.7m (2017: $4.9m)

Operational Highlights

As previously articulated our primary objective is to increase the Company’s market share and improve profitability which will be achieved by the following actions:-

- Develop innovative and differentiated technology to meet the increased demand for intelligent video systems for both security and operational needs
- Improve and restructure our sales channel
- Improve efficiency and control operating costs

Over the period we have made considerable progress in all areas though much work remains.

- This year we have successfully launched Integra and the award-winning CyberVigilant® product in camera (IndigoVision’s patented technology providing anomaly detection and monitoring within video networks). We will be releasing further technology initiatives and partnerships throughout the remainder of the year and into 2019, possibly including bolt-on acquisitions of complementary technologies.
- Our sales teams have been restructured and strengthened globally. Our partner program has been revamped and we have increased the number of partners.
- We have reduced warranty costs, improved control over gross margins and embedded a performance culture throughout the organisation.

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 our business is that the precise timing of our orders is difficult to predict. Nevertheless, the current indicators continue to support the Board’s target to at least break even in the current year and for the business to deliver an increase in revenues and acceptable levels of profitability from 2019.

George Elliott, Chairman commented:
“I am pleased to report that considerable progress has been made in the period in delivering the Company’s strategy as set out last year. In particular, we have added new functionality to our core technology and introduced a number of new products. The sales team has been strengthened and is gaining traction, we have improved our operational capabilities and our marketing efforts have focused on our increasingly innovative technology. The Group’s reporting structures have been streamlined to focus on a performance driven culture and key deliverables”.

Pedro Simoes, Chief Executive commented:
"Almost a year since joining the Group, I remain enthused by the opportunities within our business. I am particularly pleased with the pace of technology innovation across the Group. Recent regulatory changes in the US confirm the need to maintain a competitive advantage and strategic relationships in our supply chain, something I believe IndigoVision is well-placed to capitalise on."

[1] 2017 accounts restated under IFRS15 revenue recognition, lowering revenue from $20.4m to $20.3m. See note 4 below.

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 24 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.

Enquiries to:

IndigoVision Group plc	Pedro Simoes (CEO) Chris Lea (CFO)	+44 (0) 131 475 7200
N+1 Singer, Nominated Advisor	Sandy Fraser	+44 (0) 20 7496 3176
Charlotte Street Partners, Media Enquiries	Malcolm Robertson Martha Walsh	+44 (0) 7788 567680 +44 (0) 7876 245962

Shareholder information

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

Shareholder calendar

28 February 2019	Publication of the preliminary results announcement for the year ending 31 December 2018

Chairman's Statement

Results

In the six months to 30 June 2018, revenue was $22.2m compared with $20.3m (restated) 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 (9.5%).

All regions reported sales increases, except Latin America, where sales were flat year on year. Asia Pacific and North America enjoyed growth, up 54% and 16% respectively. Growth in EMEA region was 7%, within which the UK saw 13% revenue growth.

Gross margin improved to 58.0% (2017: 51.5% (restated)) due to a variety of factors including: an increase in software revenues, improvements in managing product warranty costs, geographical and product mix, and a comprehensive review of product margins.

Overheads (pre-FX), at $13.9m, were 21% higher than the first half of 2017. This increase in overheads had an impact in the first half, with stronger revenue and improved gross margin. The Group incurred an immaterial FX loss in the six months to 30 June 2018 (2017: $0.3m gain)

Research and development spend increased 31% reflecting the greater investment in product development, with differentiated software-led products offering end-to-end video security launching successfully, such as Integra which is aimed at the SME market.

The operating loss for the six months ended 30 June 2018 was $1.1m (2017: $0.7m). The loss after tax was $1.1m (2017: $0.7m), representing a loss per share of 14.0 cents (2017: 9.2 cents).

Working capital recorded an outflow as a result of increased inventory and payables, the latter up significantly, and flat receivables. Cash collections have been strong since the half year and significant reductions in inventory are being targeted. Net cash as at 30 June 2018 of $2.7m represented a marginal improvement from $2.6m at 31 December 2017.

Financing and Long Term Incentive Plan

The Group has unutilised overdraft facilities of $4.0m and is in the process of negotiating a new invoice finance facility with several potential lenders.

The Company will not pay an interim dividend this year.

A circular will shortly be distributed to shareholders detailing a proposed new long term incentive plan for IndigoVision's senior management, following the expiry of the previous plan at the 2018 annual general meeting.

Markets and Products

During the first half of 2018 the Group launched a range of new products and services including the Integra all-in-one device, which combines video storage and Control Center video management software in a single piece of hardware, as mentioned in our AGM statement in May. The product targets the SME market, and has attracted a strong pipeline of orders since launch in April.

The innovative CyberVigilant® security solution has been well received. This product 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, is now available in a range of the Group's cameras, providing an additional layer of cyber protection.

Other product launches included re-engineered tiered software bringing greater value for customers.

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.

Upcoming trade shows in Germany and the US will see the launch of new product partnerships including plans to launch automatic number plate recognition software and software that allows us to "*make the invisible, visible*" by providing location-based analytics.

On 13 August 2018, the US Government enacted legislation, the National Defense Authorization Act (NDAA), placing restrictions on the use of two 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; the legislation takes effect in fiscal year 2019.

In addition, the impact and extent of tariffs, especially in relation to the distribution of Chinese manufactured product into the US, remains dynamic. The high pace of change in this regard brings a corresponding amount of uncertainty, however the Group does not currently foresee these factors impacting materially on our ability to fulfil contractual commitments in the US. Also our developing supply chain partnerships and flexibility diminish our reliance on specific companies and Chinese manufacturers.

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 our business is that the precise timing of our orders is difficult to predict. Nevertheless, the current indicators continue to support the Board's target to at least break even in the current year and for the business to deliver an increase in revenues and acceptable levels of profitability from 2019.

George Elliott
Chairman
20 September 2018

Consolidated statement of comprehensive income
For the 6 months ended 30 June 2018

	Note	**6 months ended 30 June 2018**	6 months ended 30 June 2017 Restated*	12 months ended 31 December 2017 Restated*
		$000	$000	$000
Revenue		**22,210**	20,277	42,100
Cost of sales		**(9,325)**	(9,827)	(19,327)
Gross profit		**12,885**	10,450	22,773
Research and development expenditure		**(1,722)**	(1,315)	(3,090)
Selling and distribution expenses		**(8,986)**	(7,754)	(17,081)
Other administrative expenses		**(3,228)**	(2,418)	(5,699)
Foreign exchange (loss)/gain		**(2)**	330	281
Operating loss		**(1,053)**	(707)	(2,816)
Financial income		**1**	6	12
Loss before taxation		**(1,052)**	(701)	(2,804)
Income tax (expense)/credit		**(1)**	11	204
Loss for the period attributable to equity holders of the parent		**(1,053)**	(690)	(2,600)
Other comprehensive income				
Foreign exchange translation differences on foreign operations		**(55)**	(151)	(255)
Total comprehensive loss for the year attributable to equity holders of the parent		**(1,108)**	(841)	(2,855)
Earnings per ordinary share				
Basic loss per share (cents)	*2*	**(14.0)**	(9.2)	(34.9)
Diluted loss per share (cents)	*2*	**(14.0)**	(9.2)	(34.9)
Adjusted loss per share (cents)	*2*	**(14.0)**	(9.2)	(29.6)

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

* See note 4 for details regarding the restatement as a result of change in accounting policy.

Consolidated balance sheet
As at 30 June 2018

	6 months ended 30 June 2018	6 months ended 30 June 2017 Restated*	12 months ended 31 December 2017 Restated*
	$000	$000	$000
Non-current assets			
Property, plant and equipment	**1,704**	1,319	1,504
Intangible assets	**426**	161	352
Deferred tax	**1,803**	1,767	1,846
Total non-current assets	**3,933**	3,247	3,702
Current assets			
Inventories	**10,259**	8,047	8,936
Trade and other receivables	**13,151**	12,114	13,100
Cash and cash equivalents	**2,715**	4,865	2,574
Total current assets	**26,125**	25,026	24,610
Total assets	**30,058**	28,273	28,312
Current liabilities			
Trade and other payables	**14,045**	9,314	11,181
Provisions	**138**	138	138
Total current liabilities	**14,183**	9,452	11,319
Non-current liabilities			
Other non-current liabilities	**7**	29	17
Provisions	**45**	45	45
Total non-current liabilities	**52**	74	62
Total liabilities	**14,235**	9,526	11,381
Net assets	**15,823**	18,747	16,931
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)**	(210)	(268)
Translation reserve	**(651)**	(186)	(596)
Profit and loss account	**5,858**	8,259	6,911
Total equity attributable to equity holders of the parent	**15,823**	18,747	16,931

* See note 4 for details regarding the restatement as a result of change in accounting policy.

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 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)
Purchase of own shares	-	-	-	-	-	-	-
Equity-settled transactions, including deferred tax effect	-	-	-	-	-	-	-
Dividends paid to equity holders	-	-	-	-	-	-	-
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 2017	120	2,684	8,080	(341)	-	9,243	19,786
Profit 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 2017	120	2,684	8,080	(341)	-	9,243	19,786
Loss for the period	-	-	-	-	-	(2,600)	(2,600)
Difference on translation	-	-	-	(255)	-	-	(255)
Purchase of own shares	-	-	-	-	(268)	268	-
Equity-settled transactions, including deferred tax effect	-	-	-	-	-	-	-
Dividends paid to equity holders	-	-	-	-	-	-	-
Balance at 31 December 2017	**120**	**2,684**	**8,080**	**(596)**	**(268)**	**6,911**	**16,931**

Consolidated statement of cash flows
For the 6 months ended 30 June 2018

	6 months ended 30 June 2018	6 months ended 30 June 2017	12 months ended 31 December 2017
	$000	$000	$000
Cash flows from operating activities			
Loss for the year	**(1,053)**	(690)	(2,600)
Adjusted for:			
Depreciation and amortisation	**396**	393	850
Financial income	**(1)**	(6)	(12)
Share based payment expense	**30**	-	36
Foreign exchange (gain)/ loss	**(14)**	20	(281)
Gain/(loss) on disposal of property, plant and equipment	**2**	(1)	77
Income tax charge/(credit)	**1**	(11)	(204)
(Increase)/decrease in inventories	**(1,323)**	25	(864)
(Increase)/decrease in trade and other receivables	**(50)**	658	339
Increase/(decrease) in trade and other payables	**2,864**	(680)	1,158
Cash generated from/(absorbed by) operations	**852**	(292)	(1,501)
Income taxes received	**-**	22	179
Net cash inflow/(outflow) from operating activities	**852**	(270)	(1,322)
Cash flows from investing activities			
Interest received	**1**	6	12
Acquisition of property, plant and equipment	**(506)**	(463)	(1,139)
Acquisition of intangibles	**(164)**	(152)	(414)
Proceeds from sale of fixed assets	**-**	-	28
Net cash outflow from investing activities	**(669)**	(609)	(1,513)
Cash flows from financing activities			
Dividends paid	**-**	(290)	(289)
Finance lease payments	**(10)**	-	(18)
Purchase of own shares	**-**	(210)	(268)
Net cash outflow from financing activities	**(10)**	(500)	(575)
Net increase/(decrease) in cash and cash equivalents	**173**	(1,379)	(3,411)
Cash and cash equivalents at start of period	**2,574**	6,203	6,203
Effect of exchange rate fluctuations on cash held	**(32)**	41	(218)
Cash and cash equivalents at period end	**2,715**	4,865	2,574

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 2018 comprise the Company and its subsidiaries together referred to as "the Group". The interim report was approved by the Board on 20 September 2018.

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 2017.

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 2017, 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 2018 is unaudited.

2. Earnings per share

	Six months ended 30 June 2018	Six months ended 30 June 2017	12 months ended 31 December 2017
	$000	$000	$000
Loss for the period attributable to equity shareholders (basic and diluted)	**(1,053)**	(690)	(2,600)
Exceptional salary costs	**-**	-	396
Adjusted profit for the year attributable to equity shareholders	**(1,053)**	(690)	(2,204)
	Cents	Cents	Cents
Basic loss per share	**(14.0)**	(9.2)	(34.9)
Diluted loss per share	**(14.0)**	(9.2)	(34.9)
Adjusted (loss)/earnings per share	**(14.0)**	(9.2)	(29.6)

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 2018 No of shares	Six months ended 30 June 2017 No of shares	12 months ended 31 December 2017 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	**(97,238)**	(138,161)	(170,763)
Weighted average number of ordinary share for the period - for earnings per share	**7,513,518**	7,472,595	7,439,993

The calculation of adjusted earnings per share for the year ended 31 December 2017 was based on the loss attributable to equity shareholders of $2,600,000 to which the exceptional compensation/settlement costs of $396,000 have been added back. A weighted average number of ordinary shares during the year ending 31 December 2017 of 7,439,993, calculated as shown above. Adjusted earnings per share has been presented as 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 2018 or 30 June 2017.

3. Taxation

The tax charge in the current period represents foreign taxes paid. Other receivables at 30 June 2018 include a corporation tax refund due of $0.4m (2017: $0.4m)

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 30 June 2018 such losses amounted to $30.1m, 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 previously disclosed in the annual report.

4. Changes in accounting policies

This note explains the impact of the adoption of IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year.

	Consolidated statement of comprehensive income as originally presented 31 December 2017 $000	IFRS 15 $000	**Restated consolidated statement of comprehensive income 31 December 2017 $000**
Revenue	42,331	(231)	**42,100**
Cost of sales	(19,558)	(231)	**(19,327)**

	Balance sheet carrying amount 31 December 2017 $000	Restatement $000	**IFRS 15 carrying amount 1 January 2018 $000**
Trade and other receivables	12,869	231	**13,100**
Trade and other payables	(10,950)	(231)	**(11,181)**

	Consolidated statement of comprehensive income as originally presented 30 June 2017 $000	IFRS 15 $000	**Restated consolidated statement of comprehensive income 30 June 2017 $000**
Revenue	20,427	(150)	**20,277**
Cost of sales	(9,977)	(150)	**(9,827)**

	Balance sheet carrying amount 30 June 2017 $000	Restatement $000	**IFRS 15 carrying amount 30 June 2017 $000**
Trade and other receivables	11,964	150	**12,114**
Trade and other payables	(9,164)	(150)	**(9,314)**

The above adjustments were made to the amounts recognised in the consolidated statement of comprehensive income and balance sheet as at the date of initial application (1 January 2018) and are in relation to the deferral of warranty income and the related costs. The adjustments do not impact the prior year or prior half year reported profits or net assets.