IndigoVision Group plc
Interim Report 2015

IndigoVision

IndigoVision Group plc ("IndigoVision" or "The Group")

Interim Results for the six months ending 30 June 2015

Challenging first half but sales trend improving and costs reduced

Financial Highlights

- Revenue $22.6m (2014: $31.9m)
- Overheads reduced by 19% to $12.9m (2014: $16.0m)
- Loss after tax $0.92m (2014 profit after tax: $1.67m)

Operational Highlights

- Major new project wins:
  - Further "safe city" projects in Colombia – 250 Colombian cities now use IndigoVision
  - A large casino in California
  - First stage roll out for a large Egyptian bank, with larger second stage planned for later this year
  - Extension to the existing Rio de Janeiro metro system
  - City surveillance projects in Saudi Arabia
  - A UK city surveillance project
  - First stage roll out of a large upgrade for the London Metropolitan Police, with further stages planned for dispatch during the second half of the year
  - A large hospital in Riyadh, Saudi Arabia

- Product launches included:
  - First body worn video cameras, fully integrated into an enterprise VMS, Control Center Software
  - New low cost HD camera range
  - A specialised rugged HD PTZ camera with infrared and white light illumination
  - Increased capacity Linux and Windows storage devices
  - Control Center Software releases with a new interface integrating news feeds, traffic, weather or any web based application, new map features and object tracking 'pursuit mode'
  - 5 new integrations with leading access control and intercom software providers

Marcus Kneen, Chief Executive, commented:

"As we announced in April, trading in the first half has been challenging, but Latin America and the Middle East are now starting to show an improving sales trend. The Group's activity is weighted towards enterprise markets where revenues are materially impacted by project timing and the wider economic backdrop, and these factors affected the first half performance.

The Group has a stronger pipeline of large projects for the second half of the year, predominantly from the Middle East and the Americas. Exciting new products were launched this period including FrontLine, the first body worn video to be fully integrated into core video management software, giving users synchronised playback of both their fixed and body worn cameras from any location. Although the first half was disappointing, IndigoVision is in a good position to progress in the second half."

Notes to Editors

About IndigoVision

IndigoVision's business is security.

We are a leader in the design and manufacture of high performance, highly-intelligent video security systems for large scale and complex security installations. From video capture and transmission to analysis and storage, our 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.

We are 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.

We are secure but 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. We offer all the reliability and compatibility benefits of a closed system, but our hardware and management software are open. Our customers are able to integrate their cameras and security systems, making migration and expansion easy.

We keep 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. We 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 840 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.

Enquiries to:

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Shareholder information

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

Shareholder calendar

3 March 2016	Annual report and accounts for the year ending 31 December 2015

Chairman's Statement

As announced in April, sales slowed in the six months ending 30 June 2015. The Group operates in the large project market where timing of revenue is uneven; and first half trading has also been impacted by economic and political challenges in certain geographies.

Results

In the six months to 30 June 2015 revenue declined by 29% to $22.6m. Asia Pacific experienced the greatest decline following a record performance in the prior period. Latin America also reported a significant decline following the rapid reduction in spend by the Brazilian oil and gas market, and as a result of project timing of the safe city projects in Colombia. In contrast, the UK market reported a 22% increase in sales, delivering police and safe city projects.

Gross margin percentage was lower at 52.8% (2014: 55.6%) due to differing product mix in the large projects between the two periods. Gross margins fluctuate between 50% and 60% depending on the project mix, and the margin achieved is within normal parameters.

Overheads were reduced during the first half to reflect the reduction in activity. Research and development spend is being maintained at a consistent percentage of sales to ensure the Group continues to innovate and release a regular stream of new products. Selling and distribution costs are being reduced as a percentage of sales, and the ratio of fixed to variable selling costs adjusted, to improve the operating performance of the Group.

The operating loss before exchange losses was $1.03m (2014 operating profit: $1.77m). Foreign exchange losses of $0.23m (2014: nil) were caused by the strong USD in the period generating exchange losses on translation of EUR and GBP working capital. The operating loss for the current period was $1.26m (2014 profit: $1.77m). The Group continues to gain significant benefit from research and development tax credits, which together with current period losses, resulted in an income tax credit of $0.34m (2014 expense: $0.06m). Loss after tax was $0.92m (2014 profit after tax: $1.67m), and diluted loss per share 12.3 cents (2014 diluted earnings per share: 22.1 cents).

Following the slowdown in sales in the first half and an increase in inventory, net borrowing was $0.46m as at 30 June 2015. The Group has overdraft facilities of $4.0m.

Dividends

IndigoVision attaches great importance to the value of dividends in providing a regular return to shareholders. Over the past three years since January 2012, through interim, final and special dividends amounting to £1.08 per share, we have returned £8.1m to shareholders.

We continue to believe that the discipline of paying dividends to shareholders benefits the business and its planning. It is also our policy that dividends relate to earnings and, given the first half loss, the Board has decided not to pay an interim dividend this year. We currently expect to recommend a final dividend to shareholders along with the annual results.

Markets and Products

IndigoVision products are used in many market sectors, using a wide range of camera numbers, from the small to the very large camera count. The Group is particularly well known in the enterprise markets of airports, safe cities, banks, casinos and the police. End users value the image quality, reliability and scalability of the IndigoVision system, together with the end-to-end customized 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 Egypt and a large casino in the USA, as well as installations for the petrochemical, rail, mining, telecoms, industrial, retail and residential sectors.

IndigoVision was the first video security manufacturer to launch Body Worn Video. FrontLine, the Group's body worn camera, clipped to uniforms, is designed for use by police, emergency services, manned guarding, healthcare professionals, customer services, or any front line staff, to reduce aggressive behavior, provide documented audio and video evidence, and reduce potential liability. FrontLine is fully integrated into IndigoVision's Control Center video management software, so body worn video streams can be used in conjunction with existing fixed video security infrastructure. Unlike other body worn video suppliers, from outside the security industry, this product has been developed to provide assurance for the security of the video evidence. There has been significant positive interest from customers, initial sales have been made to a police force in the Middle East, and product demonstrations initiated with a number of other police forces. This is a new market for IndigoVision and is expected to take a period of time before generating returns.

A low cost camera range was launched this period to complete the three level product strategy being targeted across IndigoVision's end-to-end system. The Group's camera range now consists of the new GX entry level range, the BX midmarket range, and the Ultra range for the ultimate in camera performance, as well as a number of specialist cameras including the newly launched Interceptor cameras, rugged HD PTZ cameras with infrared and white light illumination designed for perimeter security.

IndigoVision is in the final stage of creating a new brand image and website, launching at the start of the fourth quarter. This will provide an opportunity to communicate IndigoVision's evolving identity. The launch will be the starting point for building stronger marketing messages and sales propositions, and is designed to improved lead capture for the Group's sales account managers. The updated branding is a natural progression from the material investment made in product development in recent years at IndigoVision.

Outlook

After a disappointing start to 2015, the Group experienced an improving trend in financial results as the first half progressed. The pipeline of large projects for the second half is significantly stronger than the first half and, as a consequence of this and management actions taken to reduce costs, profitability in the second half is expected comfortably to exceed first half losses.

HAMISH GROSSART
Chairman
16 September 2015

Consolidated statement of comprehensive income

For the 6 months ended 30 June 2015

	Note	**6 months ended 30 June 2015**	6 months ended 30 June 2014	17 months ended 31 December 2014
		$000	$000	$000
Revenue		**22,577**	31,862	82,460
Cost of sales		**(10,666)**	(14,142)	(34,719)
Gross profit		**11,911**	17,720	47,741
Research and development expenditure		**(2,295)**	(2,920)	(8,056)
Selling & distribution expenses		**(8,448)**	(10,483)	(27,853)
Administrative expenses		**(2,196)**	(2,550)	(6,975)
Foreign exchange loss		**(228)**	-	(586)
Operating (loss)/profit		**(1,256)**	1,767	4,271
Financial expense		**(2)**	(42)	(5)
(Loss)/profit before taxation		**(1,258)**	1,725	4,266
Income tax credit/(expense)		**338**	(59)	277
(Loss)/profit for the period attributable to equity holders of the parent		**(920)**	1,666	4,543
Other comprehensive income				
Foreign exchange translation differences on foreign operations		**(6)**	64	1,253
Total comprehensive (loss)/income for the year attributable to equity holders of the parent		**(926)**	1,730	5,796
Earnings per ordinary share				
Basic (loss)/earnings per share (cents)	*3*	**(12.3)**	22.2	60.7
Diluted (loss)/earnings per share (cents)	*3*	**(12.3)**	22.1	60.5

Revenue and (loss)/profit for the current and comparative periods relate wholly to continuing activities.

Consolidated balance sheet

As at 30 June 2015

	Interim 30-Jun-15 $000	Interim 30-Jun-14 $000	Full Year 31-Dec-14 $000
Non-current assets			
Property, plant & equipment	**1,662**	1,680	1,702
Intangible assets	**90**	108	103
Deferred tax	**5,419**	5,331	5,337
Total non-current assets	**7,171**	7,119	7,142
Current assets			
Inventories	**12,829**	8,642	10,396
Trade & other receivables	**14,326**	15,683	17,680
Cash & cash equivalents	**312**	3,059	2,559
Total current assets	**27,467**	27,384	30,635
Total assets	**34,638**	34,503	37,777
Current liabilities			
Bank overdraft	**776**	-	-
Trade and other payables	**10,296**	11,066	12,681
Provisions	**137**	227	137
Total current liabilities	**11,209**	11,293	12,818
Non-current liabilities			
Provisions	**45**	76	45
Total non-current liabilities	**45**	76	45
Total liabilities	**11,254**	11,369	12,863
Net assets	**23,384**	23,134	24,914
Equity			
Called up share capital	**120**	119	119
Share premium account	**2,684**	2,666	2,666
Other reserve	**8,081**	8,080	8,080
Translation reserve	**672**	1,016	678
Profit and loss account	**11,827**	11,253	13,371
Total equity attributable to equity holders of the parent	**23,384**	23,134	24,914

Consolidated statement of changes in equity

$000	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2015	119	2,666	8,080	678	13,371	24,914
Loss 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)
Balance at 30 June 2015	**120**	**2,684**	**8,081**	**672**	**11,827**	**23,384**

$000	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2014	119	2,587	8,080	953	10,804	22,543
Profit for the period	-	-	-	-	1,666	1,666
Difference on translation	-	-	-	63	-	63
Share options exercised by employees	-	79	-	-	-	79
Equity-settled transactions, including deferred tax effect	-	-	-	-	(17)	(17)
Purchase of shares by Benefit Trust	-	-	-	-	(456)	(456)
Dividends paid to equity holders	-	-	-	-	(744)	(744)
Balance at 30 June 2014	**119**	**2,666**	**8,080**	**1,016**	**11,253**	**23,134**

$000	Share capital	Share premium	Other reserve	Translation reserve	Retained earnings	Total equity
Balance at 1 August 2013	119	2,587	8,080	(575)	11,288	21,499
Profit for the period	-	-	-	-	4,543	4,543
Difference on translation	-	-	-	1,253	-	1,253
Share options exercised by employees	-	79	-	-	-	79
Equity-settled transactions, including deferred tax effect	-	-	-	-	184	184
Purchase of shares by Benefit Trust	-	-	-	-	(508)	(508)
Dividends paid to equity holders	-	-	-	-	(2,136)	(2,136)
Balance at 31 December 2014	**119**	**2,666**	**8,080**	**678**	**13,371**	**24,914**

Consolidated statement of cash flows
For the 6 months ended 30 June 2015

	6 months ended 30 June 2015	6 months ended 30 June 2014	17 months ended 31 December 2014
	$000	$000	$000
Cash flows from operating activities			
Profit/(loss) for the year	**(920)**	1,666	4,543
Adjusted for:			
Depreciation and amortisation	**566**	449	1,322
Financial expense	**2**	42	5
Share based payment (credit)/expense	**(50)**	(17)	184
Foreign exchange (gain)/ loss	**248**	(19)	1,137
Income tax (credit)/charge	**(338)**	59	(277)
Increase in inventories	**(2,433)**	(1,278)	(2,916)
(Increase)/decrease in trade and other receivables	**3,354**	433	(1,720)
Increase/(decrease) in trade and other payables	**(2,385)**	2,967	3,394
Increase/(decrease) in provisions	**-**	31	(93)
Cash generated from operations	**(1,956)**	4,333	5,579
Income taxes (paid) / refunded	**(1)**	(1)	(33)
Net cash (outflow)/inflow from operating activities	**(1,957)**	4,332	5,546
Cash flows from investing activities			
Interest paid	**(2)**	(42)	(5)
Acquisition of property, plant and equipment	**(498)**	(540)	(1,554)
Acquisition of intangibles	**(14)**	(66)	(117)
Net cash outflow from investing activities	**(514)**	(648)	(1,676)
Cash flows from financing activities			
Proceeds from the issue of share capital	**19**	79	79
Company shares acquired by employee trust	**-**	(456)	(508)
Dividends paid	**(574)**	(744)	(2,136)
Net cash outflow from financing activities	**(555)**	(1,121)	(2,565)
Net increase/(decrease) in cash and cash equivalents	**(3,026)**	2,563	1,305
Cash and cash equivalents at start of period	**2,559**	518	1,284
Effect of exchange rate fluctuations on cash held	**3**	(22)	(30)
Cash and cash equivalents at period end	**(464)**	3,059	2,559

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 2015 comprise the Company and its subsidiaries together referred to as "the Group". The interim report was approved by the board of directors on 16 September 2015.

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 2014.

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 2014, 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 2015 is unaudited.

2. Earnings per share

	Six months ended 30 June 2015	Six months ended 30 June 2014	17 months ended 31 December 2014
	$000	$000	$000
Profit for the period attributable to equity shareholders (basic and diluted)	**(920)**	1,666	4,543
	Cents	Cents	Cents
Basic (loss)/earnings per share	**(12.3)**	22.2	60.7
Diluted (loss)/earnings per share	**(12.3)**	22.1	60.5

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:

	No of shares	No of shares	No of shares
Issued ordinary shares at start of year	**7,604,756**	7,599,548	7,574,548
Effect of weighted average of shares issued during the period from exercise of employee share options	**2,867**	24,028	18,190
Effect of purchase of own shares	**(134,238)**	(110,816)	(107,735)
Weighted average number of ordinary shares for the period - for basic earnings per share	**7,473,385**	7,512,760	7,485,003
Effect of share options in issue	**4,141**	21,730	18,129
Weighted average number of ordinary share for the period - for diluted earnings per share	**7,477,526**	7,534,490	7,503,132

3. Taxation

The tax credit in the current period represents the net of, credits relating to a reduction in the prior period taxable profit following completion of 17 month period ended 31 December 2014 corporation tax returns, due to a research and development tax credit, current period losses and foreign taxes paid.

Other receivables at 30 June 2015 includes a corporation tax refund due of $0.27m.

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 30 June 2015 such losses amounted to $26.9m of which $0.30m has been added as a result of the current period losses. At a corporate tax rate of 20%, this is equivalent to a deferred tax asset in relation to these trading losses of $5.38m, which has been fully recognised in the financial statements.