

11 December 2015

Digital Barriers plc
("Digital Barriers" or the "Group")

Interim Results for the six months ended 30 September 2015

Digital Barriers (AIM: DGB) the specialist provider of visually intelligent technologies to the global surveillance, security and safety markets, announces its unaudited results for the six months ended 30 September 2015.

Key Highlights

- Strong performance in the Group's Solutions (previously known as 'Products') business, with revenues up 22% to £6.7m (H115: £5.5m), driven by International Solutions revenues which grew 38% to £5.1m (H115: £3.7m).
- UK Services expected to be heavily weighted to the second half of the year, with revenue in the period impacted by UK Government austerity measures reducing to £1.2m (H115: £4.6m).
- Given this UK Services weighting, Group revenues in the period declined 22% to £7.9m (H115: £10.1m), but with the adjusted loss improving by 18% to £4.6m (H115: £5.6m).
- Gross margin improved to 44% (H115: 31%), with Solutions gross margins increasing to 52% (H115: 44%); as the Solutions business continues to grow this improvement is expected to continue.
- Reduction in losses underpinned by 7% reduction in Group operating expenses to £8.1m (H115: £8.8m). It is expected that investment in operating expenses will continue at this level in H216 to support further incremental pipeline growth and conversion in Solutions.
- Sales in the period for delivery this financial year increased 33% to £10.0m (H115: £7.5m), with contracted backlog for delivery in H216 up 90% at the period-end to £3.8m (H115: £2.0m); International contracted backlog was up 145% at the period-end to £2.7m (H115: £1.1m).
- Strong sales recorded across all solution areas, including material sales in the United States, Malaysia, Indonesia, Korea, China and Nigeria. Sales have continued to close strongly since the period-end, with the Group's recorded revenues plus its contracted backlog (for delivery before the end of the financial year) standing at £16.9m as at 30 November 2015, of which £14.1m is Solutions (FY15 to 30 Nov: £8.8m), which represents growth of 61%.
- Net cash at the end of the period was £5.9m (H115: £7.6m), including a £0.3m working capital facility.
- The Group also announces today a placing of new shares to fund the acquisition of Brimtek Inc, a specialist provider of advanced surveillance technologies to US federal and defence agencies, for consideration of up to \$45 million, of which up to \$20 million is deferred contingent consideration. The placing will also provide additional working capital for the enlarged Group.

Commenting on the results, Tom Black, Chairman of Digital Barriers, said:

"This has been a very significant six months for us, with our international regions recording another strong period of growth across multiple solutions into multiple countries. Our new sales leadership team is now firmly in place, and this is reflected in strong international growth that continues to accelerate. With Solutions revenues up, international revenues up, and gross margins up, momentum across the Group is high, despite our UK Services business being second-half weighted for the year, driven by a challenging UK Government budgetary environment slowing procurements. Our Services business is not the strategic focus for our future growth, which is very much UK and International Solutions.

Sales have continued to build strongly since the end of the period, and we now have better visibility of our pipeline and timings than ever before, all of which gives us strong confidence that we will achieve our expectations for the full year and will be operationally breakeven or better in H216.

Also today we have announced the acquisition of Brimtek, a highly respected provider of surveillance technologies in the US, providing us with a compelling platform for future growth in that market. Brimtek has very strong relationships with the same flagship federal customers that we work with. In order to finance initial cash consideration for the acquisition, and to provide additional working capital for the enlarged Group, we have announced a placing of new shares and have been very pleased with the strong support for the Group and its strategy from existing and incoming investors."

For further information please contact:

Digital Barriers plc

Zak Doffman, Chief Executive Officer
Sharon Cooper, Chief Financial Officer

+44 (0)20 3553 5888

Investec Investment Banking

Andrew Pinder / Dominic Emery

+44 (0)20 7597 5970

FTI Consulting LLP

Edward Bridges / Matt Dixon

+44 (0)20 3727 1000

About Digital Barriers:

Digital Barriers provides visually intelligent solutions to the global surveillance, security and safety markets. We deliver zero-latency streaming and analysis of secure video and related intelligence over wireless networks, including cellular, satellite, IP mesh and cloud, utilising significantly less bandwidth than standard technologies.

Our rapidly-installed fixed and mobile solutions for covert, remote and wide-area deployments, as well as vehicle and body-worn applications, have been sold into more than fifty countries, and have been proven in some of the world's most demanding operational environments. We also provide advanced video content analysis and body scanning to identify safety concerns and threats in real-time.

www.digitalbarriers.com

Chairman's Statement

Introduction

Since Digital Barriers was established in 2009, the global security context has significantly evolved, particularly in response to the increasingly material threat to national and homeland security from international and domestic terrorism, including so-called Islamic State and Al Qaeda and their affiliates; organised attacks on high-profile computer systems and networks by both state and non-state actors; and asymmetric warfare including counter-insurgency operations overseas. These threats increasingly cross borders and jurisdictions, exploiting vulnerabilities in physical and electronic security systems, and impact both the public and private sectors. We work with those government security, law enforcement and defence agencies around the world responsible for addressing these evolving threats, as well as with multinational corporations and system integrators. Our solutions have been deployed in specialist areas of security and defence, as well as within high-profile locations such as borders, airports, military bases, public transportation systems and natural resources sites.

Up until now, we have focused primarily on government customers, targeting flagship departments and agencies across our regions with material year on year spend on surveillance, security and safety technologies. These include security, law enforcement and public safety agencies, ministries of interior and defence, as well as the operators of critical infrastructure assets such as energy and utilities facilities and mass public transportation. We have now widened our focus to include major commercial organisations with a requirement for class-leading video streaming and analytics applications, for example site safety and operational efficiency in the construction industry and the use of intelligent video analysis to reduce man-guarding operators costs in general facility security. We have also introduced initiatives to monetise our core intellectual property through industry channels to market; for example a contract now in final negotiation to license our video analytics to a major IP camera manufacturer, an MOU secured with a major government agency in Asia to supply our ThruVision technology including local OEM assembly, and a contract with an oil and gas service provider to supply a video streaming service designed for offshore oil and gas platforms. We also launched our CloudVis video platform during the period to remove costly and time-consuming deployment barriers to the adoption of our technology across broader markets. We expect that this channel strategy and our CloudVis platform will gather momentum through this year and will be material contributors to our revenues from next financial year.

Since establishing the Group, we have acquired fourteen businesses with compelling intellectual property (IP) and capabilities specifically designed for our target markets. Over the last two years we invested in updating acquired IP and products and launched a set of integrated solutions built around them. These solutions have been designed to deliver an end-user capability rather than standalone hardware and software applications. This evolution from products to solutions has enabled us to significantly increase our sales traction, as evidenced by 22% growth in our Solutions revenues during the period to £6.7m (H115: £5.5m), and continuing strong international momentum, where our revenue growth during the period was stronger still, up 38% to £5.1m (H115: £3.7m). It has also enabled us to increase our gross margins towards our stated 50% target, with overall gross margins during the period at 44% (H115: 31%) and Solutions gross margins at 52% (H115: 44%). The evolution from products to solutions has also enabled us to improve the ease of deployment of our technologies and to exercise more control over the user experience across our customer base. An example of this would be providing pre-integrated vehicle video surveillance solutions to police agencies around the world, rather than simply providing video streaming hardware that a police agency would then be required to integrate with cameras, antennae, modems and other peripherals.

Our overall revenues declined during the period due to the expected second-half weighting in UK Services this year, with its revenues for the period declining 74% to £1.2m (H115: £4.6m). This reduction was driven by UK Government procurement delays resulting from the more constrained budgetary environment. Last year was an exception for UK Services, with a strong first half. The business has more typically been second-half weighted, and we expect that again this year and for it to recover its revenue position during the second half of the year. That said, our strategic growth is driven by our Solutions business, both in the UK and internationally, and the Group focuses its resources accordingly.

We secured a number of strategically and financially material contracts during the period, with sales for delivery this financial year increasing 33% to £10.0m (H115: £7.5m), and contracted backlog for delivery in the second half of the year up 90% to £3.8m at the period-end (H115: £2.0m). Again, international momentum was the key contributor here, with international backlog at the period-end, including material sales announced by the Group in September but not yet delivered, up 145% to £2.7m (H115: £1.1m).

Material sales contracted during the year to date included:

- £1.0m contract to supply TVI vehicle-borne video surveillance to a major law enforcement agency in Asia Pacific, following an initial £0.8 million contract secured in February 2015
- £1.6m for the ThruVision people screening technology for border security and counter-terrorism; part of a multi-year OEM framework agreement with a major overseas government agency
- £0.3m for the purchase of the Group's ISP (Integrated Surveillance Platform) solution by a flagship government defence agency in Asia Pacific, as part of a significant programme award to the Group and its local system integrator partner. Representing the culmination of more than two years business development, this programme award is expected to deliver material revenues for the Group from next year onwards
- \$2.3m TVI surveillance solutions into flagship federal law enforcement agencies in the United States

- £1.0m to supply land and sea-based TVI and ISP surveillance solutions to a major Asia Pacific maritime security agency, following a £0.13m initial contract received from the same customer earlier in the year
- £1.4m for the Group's ISP solution for maritime security following an initial £0.3m award from the same customer in June 2015, as part of a major on-going programme
- £0.45m for the Group's ThruVision solution for a new government customer in Asia Pacific, the first award in this country and expected to lead to follow-on sales.

Of the material sales listed above, £1.6m was recognised in H1 and £3.8m is expected to be recognised in H2.

The focus of the Group and its ongoing sales momentum and pipeline is centered around four key solution areas:

- **TVI (Tactical Visual Intelligence)** – secure distribution of real-time video from anywhere to anywhere, featuring end-to-end security, real world resilience and network optimisation that can stream usable live video using up to 60% less bandwidth than standard technologies. This efficient use of available bandwidth enables TVI to deliver significant capability benefits and material cost savings over competing technologies. TVI has already been sold into more than thirty countries, and counts some of the world's most prominent defence and security agencies as its customers, as well as an increasing number of commercial organisations;
- **ISP (Integrated Surveillance Platform)** – combines the Group's TVI video streaming, RDC unattended ground sensors and SafeZone video content analysis technologies to deliver real-time surveillance and intrusion alerts for remote and inaccessible locations, combining with existing infrastructure and sensors to provide a quickly deployed, cost-effective and highly performant solution. ISP enables live video streaming and intrusion data to be shared at local, regional and national levels across multiple agencies, supporting a coordinated, timely response to identified threats. Applications for ISP include force and border protection, critical infrastructure, oil and gas installations, maritime security and law enforcement;
- **ThruVision** – a unique sensing system for screening people that can detect both metallic and non-metallic objects including metal or plastic weapons, explosives, drugs, currency and other contraband being carried by an individual. ThruVision has been sold into more than fifteen countries for defence against improvised explosive devices, drugs and currency smuggling, concealed weapon detection, counter-terrorism operations, facility protection and commercial loss prevention;
- **SafeZone and CloudVis** – advanced video content analysis, that has been government-security accredited, including automated intrusion detection and facial recognition, either from the edge or in the cloud, to identify safety concerns and threats in real-time.

Financials

Revenue and Gross Margin

Whilst Group revenue in the period declined 22% to £7.9m in the six-months ended 30 September 2015 compared to £10.1m in the same period last year, this decline is entirely driven by Services revenue where revenues were down £3.4m relative to the prior year to £1.2m. This decline is due to strong H115 Services revenues in support of a major 2014 UK event. Underlying Solutions revenue grew 22% to £6.7m (H115: £5.5m), driven by continued international growth. International revenues increased 38% to £5.1m (H115: £3.7m), with strong Asia Pacific sales performance.

The Group generated a gross profit of £3.5m (H115: £3.1m), which equates to a gross margin of 44%, a significant improvement on the Group's gross margin of 31% in H115. This gross margin improvement is the result of a higher proportion of the Group's revenues being generated within the Solutions division (85% in H116, versus 55% in H115) along with an underlying Solutions margin improvement of 8% to 52%.

Adjusted Loss

The adjusted loss before tax was £4.6m (H115: £5.6m) and on an unadjusted basis was £5.8m (H115: £13.2m). The reduction in the adjusted loss has been driven by a reduction in underlying overheads, which have reduced by £0.5m, along with an improvement in the gross margin of £0.4m. The unadjusted loss in the prior year included a £6.25m non-cash impairment charge against the carrying value of goodwill within the Solutions division. No further impairment is deemed necessary in the current period.

Cash

The Group ended the period with a £6.2m cash balance (31 March 2015: £8.7m), and a £0.3m working capital loan, giving net cash of £5.9m (31 March 2015: £8.7m). Net cash outflow from operating activities was £2.7m including a £0.5m working capital inflow together with £4.2m of other operating outflows, primarily cash loss before tax. Capital expenditure in the period of £0.1m accounts for the balance of the cash spend.

Outlook

Following strong trading in H116, the Group continues to experience strong momentum across its Solutions business, underpinned by increasing international growth, a stronger contracted backlog position and a growing sales pipeline. Visibility of future sales is much improved with increasing follow-on orders from existing customers, rather than from new customers for the Group. The Directors expect the Company to be operationally breakeven or better in H216.

Independent review report to Digital Barriers plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 September 2015 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union and the AIM Rules issued by the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 September 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and in accordance with the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP

London
11 December 2015

DIGITAL BARRIERS PLC
Consolidated income statement
for the six months ended 30 September 2015

		6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
	Note			
Revenue	2	7,920	10,137	19,402
Cost of sales		(4,422)	(6,993)	(12,577)
Gross profit		3,498	3,144	6,825
Administration costs		(9,319)	(16,326)	(19,214)
Other costs		-	-	(6,353)
Operating loss		(5,821)	(13,182)	(18,742)
Finance revenue		14	8	45
Finance costs		(2)	-	-
Loss before tax		(5,809)	(13,174)	(18,697)
Income tax		145	57	785
Loss for the period / year		(5,664)	(13,117)	(17,912)

Adjusted loss:	3			
Loss before tax		(5,809)	(13,174)	(18,697)
Amortisation of intangibles initially recognised on acquisition		760	996	1,865
Impairment of goodwill & intangibles		-	6,250	6,250
Loss on disposal of businesses		-	83	103
Share based payment**	3	437	203	438
Adjusted loss before tax for the period**		(4,612)	(5,642)	(10,041)

(Loss) per share - basic	4	(6.70p)	(20.30p)	(25.85p)
(Loss) per share - diluted	4	(6.70p)	(20.30p)	(25.85p)
(Loss) per share – adjusted**	4	(5.32p)	(8.71p)	(13.49)
(Loss) per share - adjusted diluted**	4	(5.32p)	(8.71p)	(13.49)

The results for the period and the prior period are derived from continuing activities.

** As explained in note 3, the basis of calculation has been adjusted to include share based payment charges. Comparative figures have been updated to incorporate this change.

DIGITAL BARRIERS PLC
Consolidated statement of comprehensive income
for the six months ended 30 September 2015

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Note			
Loss for the period / year	(5,664)	(13,117)	(17,912)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on retranslation of foreign operations	28	(327)	(656)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	28	(327)	(656)
Total comprehensive loss attributable to owners of the parent	(5,636)	(13,444)	(18,568)

DIGITAL BARRIERS PLC
Consolidated balance sheet
at 30 September 2015

	Note	30 September 2015 Unaudited £'000	30 September 2014 Unaudited £'000	31 March 2015 Audited £'000
Assets				
Non current assets				
Property, plant and equipment		566	783	683
Goodwill		18,218	18,298	18,186
Other intangible assets		1,269	2,791	2,092
		20,053	21,872	20,961
Current assets				
Inventories		3,853	4,117	4,499
Trade and other receivables		7,162	7,634	8,869
Current tax recoverable		533	845	1,513
Cash and cash equivalents		6,190	7,582	8,701
		17,738	20,178	23,582
Total assets		37,791	42,050	44,543
Equity and liabilities				
Attributable to owners of the parent				
Equity share capital	6	845	646	845
Share premium		82,757	75,879	82,757
Deferred shares		109	-	-
Capital redemption reserve		4,786	4,786	4,786
Merger reserve		454	454	454
Translation reserve		(840)	(539)	(868)
Other reserves		(307)	(307)	(307)
Retained earnings		(54,053)	(44,266)	(48,826)
Total equity		33,751	36,653	38,841
Non current liabilities				
Deferred tax liabilities		89	163	116
Financial liabilities		-	-	-
Provisions		188	147	134
		277	310	250
Current liabilities				
Trade and other payables		3,439	4,865	5,261
Financial liabilities		54	163	163
Bank loan		250	-	-
Provisions		20	59	28
		3,763	5,087	5,452
Total liabilities		4,040	5,397	5,702
Total equity and liabilities		37,791	42,050	44,543

DIGITAL BARRIERS PLC
Consolidated statement of changes in equity
for the 6 months ended 30 September 2015

	Ordinary share Capital £'000	Share premium account £'000	Deferred shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Translation reserve £'000	Other reserves £'000	Profit and loss reserve £'000	Total equity £'000
At 31 March 2014	646	75,879	-	4,786	454	(212)	(307)	(31,352)	49,894
Loss for the period	-	-	-	-	-	-	-	(13,117)	(13,117)
Other comprehensive loss	-	-	-	-	-	(327)	-	-	(327)
Total comprehensive loss	-	-	-	-	-	(327)	-	(13,117)	(13,444)
Share-based payment credit	-	-	-	-	-	-	-	203	203
At 30 September 2014	646	75,879	-	4,786	454	(539)	(307)	(44,266)	36,653
Loss for the period	-	-	-	-	-	-	-	(4,795)	(4,795)
Other comprehensive loss	-	-	-	-	-	(329)	-	-	(329)
Total comprehensive loss	-	-	-	-	-	(329)	-	(4,795)	(5,124)
Share-based payment credit	-	-	-	-	-	-	-	235	235
Share issue cost	-	(273)	-	-	-	-	-	-	(273)
Share placement	199	7,151	-	-	-	-	-	-	7,350
At 31 March 2015	845	82,757	-	4,786	454	(868)	(307)	(48,826)	38,841
Loss for the period	-	-	-	-	-	-	-	(5,664)	(5,664)
Other comprehensive loss	-	-	-	-	-	28	-	-	28
Total comprehensive loss	-	-	-	-	-	28	-	(5,664)	(5,636)
Incentive share conversion	-	-	109	-	-	-	-	-	109
Share-based payment credit	-	-	-	-	-	-	-	437	437
At 30 September 2015	845	82,757	109	4,786	454	(840)	(307)	(54,053)	33,751

DIGITAL BARRIERS PLC
Consolidated statement of cash flows
for the 6 months ended 30 September 2015

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Operating activities			
Loss before tax	(5,809)	(13,174)	(18,697)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	201	341	630
Amortisation of intangible assets	828	1,067	1,971
Impairment of intangible assets	-	6,250	6,250
Share-based payment transaction expense	437	203	438
Unrealised losses/(gains) on foreign exchange	-	-	(95)
Disposal of fixed assets	-	162	56
Finance revenue	(14)	(8)	(45)
Finance costs	2	-	-
Working capital adjustments:			
Decrease / (increase) in trade and other receivables	1,707	(11)	(1,262)
Decrease/(increase) in inventories	647	(137)	(604)
Decrease in trade and other payables	(1,681)	(562)	(62)
Decrease in deferred revenue	(146)	(182)	(285)
Increase / (Decrease) in provisions	47	(375)	(419)
Cash utilised in operations	(3,781)	(6,426)	(12,124)
Tax received	1,098	7	3
Net cash flow from operating activities	(2,683)	(6,419)	(12,121)
Investing activities			
Sale of property, plant & equipment	-	-	-
Purchase of property, plant & equipment	(84)	(188)	(532)
Expenditure on intangible assets	(5)	(44)	(3)
Payment of deferred consideration	-	-	-
Interest received	12	8	45
Net cash flow from investing activities	(77)	(224)	(490)
Financing activities			
Proceeds from issue of shares	-	-	7,350
Share issue costs	-	-	(273)
Bank loan	250	-	-
Net cash flow from financing activities	250	-	7,077
Net decrease in cash and cash equivalents	(2,510)	(6,643)	(5,534)
Cash and cash equivalents at beginning of period / year	8,701	14,246	14,246
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(21)	(11)
Cash and cash equivalents at end of period / year	6,190	7,582	8,701

1. Accounting policies

Basis of preparation

The consolidated interim financial statements include those of Digital Barriers plc and all of its subsidiary undertakings (together "the Group") drawn up at 30 September 2015, and have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as adopted for use in the European Union ("EU"). The consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the consolidated financial statements for the period ended 31 March 2015, with the exception of the revised bases of the adjusted loss calculation (note 3).

The annual consolidated financial statements of the Group are prepared on the basis of International Financial Reporting Standards ("IFRS"). The consolidated interim financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all the disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the most recent Annual Report and Accounts which were approved by the Board of Directors on 22 June 2015 and have been filed with Companies House. The condensed interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and are unaudited for all periods presented. The financial information for the 12 month period ended 31 March 2015 is extracted from the financial statements for that period, with the exception of the revised bases of the adjusted loss calculation (note 3). The auditors' report on those financial statements was unqualified and did not contain an emphasis of matter reference and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

Going concern

The Board has reviewed the cash flow forecasts for the period up to and including 31 December 2016, which include additional working capital available through a placing of new Ordinary Shares as detailed further in Note 10. Revenues are forecast to grow in the financial year ended 31 March 2017, driven by continued growth within the Solutions division and stabilisation of Services revenues. These revenue projections underpin further reductions in losses, as the Group looks to achieve breakeven in FY17. These forecasts and projections also take into account reasonably possible changes in trading performance and based on these projections, taking account of the reasonably possible changes in trading performance, the Group should be able to operate within its current level of cash reserves of £6.2m, as at 30 September 2015 and additional working capital available through the placing of new shares.

On 11 December the Company announced that it proposed to raise £25.8million (after expenses) through the fully underwritten placing of 80,571,429 new Ordinary Shares at 35 pence per share. The proposed placing is anticipated to finance the initial cash consideration (\$25million) for a proposed acquisition of Brimtek Inc, a provider of state-of-the-art technical surveillance solutions to US defence, homeland security, federal law enforcement and intelligence communities and to provide additional working capital for the Enlarged Group. Further details are provided in Note 10.

In April 2015 an agreement was signed with HSBC Bank plc for a £5.0 million secured working capital facility to provide pre and post-shipment finance in relation to export activities across the Group. The facility is partially guaranteed by the UK Export Finance Guarantees Department. The interest rate for any borrowings under this facility is 3% over the bank's sterling base rate. The facility will be reviewed on an annual basis as part of our wider banking facilities with HSBC Bank Plc in September each year. This facility has been renewed until September 2016, and as a result this facility has been factored in to cash flow projections for the Group. Should the facility not be renewed in September 2016, mitigating actions can be taken to manage our cash flows.

Based on the above, the Directors therefore have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future, and for this reason they have adopted the going concern basis in these consolidated interim financial statements.

Adoption of new and revised International Financial Reporting Standards

The following new and revised international financial reporting standards are effective for this interim period; however there will be no material impact:

- Amendments to IFRS 2, 'Share-based payments' on the definition of vesting conditions
- Amendments to IFRS 8, 'Operating segments' on aggregation of operating segments and reconciliations of assets

DIGITAL BARRIERS PLC

Notes to the financial statements

for the 6 months ended 30 September 2015

2. Segmental information

The Group is organised into the Services and Solutions (formerly Products) divisions for internal management, reporting and decision-making, based on the nature of the solutions and services of the Group's businesses. These are the reportable operating segments in accordance with IFRS 8 "Operating Segments". As the Group continues to develop and change, the Directors closely monitor these reporting operating segments to ensure they remain relevant to the management of the Group.

	6 months ended 30 September 2015				6 months ended 30 September 2014			
	Services Unaudited £'000	Solutions Unaudited £'000	Central Unaudited £'000	Total Unaudited £'000	Services Unaudited £'000	Solutions Unaudited £'000	Central Unaudited £'000	Total Unaudited £'000
Total segment revenue	1,231	6,864	-	8,095	4,614	5,664	-	10,278
Inter-segment revenue	-	(175)	-	(175)	-	(141)	-	(141)
Revenue	1,231	6,689	-	7,920	4,614	5,523	-	10,137
Depreciation	36	165	-	201	26	315	-	341
Segment adjusted operating (loss)/profit	(502)	(2,334)	(1,788)	(4,624)	316	(4,047)	(1,919)	(5,650)
Amortisation of intangibles initially recognised on acquisition	(101)	(659)	-	(760)	(117)	(879)	-	(996)
Loss on disposal of businesses	-	-	-	-	-	(83)	-	(83)
Share based payment	-	-	(437)	(437)	-	-	(203)	(203)
Impairment of goodwill	-	-	-	-	-	(6,250)	-	(6,250)
Segment operating (loss)/profit	(603)	(2,993)	(2,225)	(5,821)	199	(11,259)	(2,122)	(13,182)
Finance income				14				8
Finance cost				(2)				-
Loss before tax				(5,809)				(13,174)
Income tax credit				145				57
Loss for the year				(5,664)				(13,117)

Year ended 31 March 2015

	Services Audited £'000	Solution Audited £'000	Central Audited £'000	Total Audited £'000
Total segment revenue	7,460	12,272	-	19,732
Inter-segment revenue	-	(330)	-	(330)
Revenue	7,460	11,942	-	19,402
Depreciation	55	575	-	630
Segment adjusted operating profit/(loss)	538	(7,046)	(3,578)	(10,086)
Amortisation of intangibles initially recognised on acquisition	(430)	(1,435)	-	(1,865)
Loss on disposal of businesses	-	(103)	-	(103)
Share based payment	-	-	(438)	(438)
Impairment of goodwill	-	(6,250)	-	(6,250)
Segment operating profit/(loss)	108	(14,834)	(4,016)	(18,742)
Finance income				45
Finance cost				-
Loss before tax				(18,697)
Income tax credit				785
Loss for the year				(17,912)

No operating segments have been aggregated.

3. Adjusted loss before tax

An adjusted loss before tax measure has been presented as the Directors believe that this is a more relevant measure of the Group's underlying performance. Adjusted loss is not defined under IFRS and has been shown as the Directors consider this to be helpful for a better understanding of the performance of the Group's underlying business. It may not be comparable with similarly titled measurements reported by other companies and is not intended to be a substitute for, or superior to, IFRS measures of profit. The net adjustments to loss before tax are summarised below:

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Amortisation of intangibles initially recognised on acquisition	760	996	1,865
Impairment of goodwill and intangible assets (note 5)	-	6,250	6,250
Loss on disposal of businesses	-	83	103
Share based payment**	437	203	438
Total adjustments**	1,197	7,532	8,656

** The basis of calculation has been updated to adjust for share based payment charges. The Directors consider this to be a more helpful measure in understanding the true underlying costs of the business. The performance condition associated with LTIP awards made in July 2015 are subject to a non-market based performance measure. Accordingly, should these LTIP awards fail to vest, the share based payment charge will be added back to the income statement. Historic LTIP awards have been made with a market based performance measure which in the event that LTIPs fail to vest the share based payment charge is not added back to the income statement. To date the majority of historic LTIP awards have failed to vest. The revised calculation provides consistency over time allowing a better understanding of the financial position of the Group.

4. Loss per share

The basic loss per share is calculated on the loss after tax and the weighted average number of shares in issue during the period.

The basic adjusted loss per share is calculated on the adjusted loss after tax and the weighted average number of shares in issue during the period.

Diluted earnings per share measures are calculated using the same number of shares as the basic loss per share measures, as the inclusion of potential Ordinary Shares arising from share options and Incentive Shares in issue would be anti-dilutive.

The following reflects the loss and share data used in the basic and diluted loss per share calculations:

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Loss after tax	(5,664)	(13,117)	(17,912)
Amortisation of acquired intangible assets, net of tax	731	951	1,771
Impairment of goodwill and intangibles, net of tax	-	6,250	6,250
Loss on disposal of assets	-	83	103
Share based payment**	437	203	438
Adjusted loss after tax	(4,496)	(5,630)	(9,350)
Weighted average number of shares	84,511,031	64,624,616	69,305,105
Basic and diluted loss per share	(6.70p)	(20.30p)	(25.85p)
Basic and diluted adjusted loss per share**	(5.32p)	(8.71p)	(13.49p)

** The basis of calculation has been adjusted to include share based payments charges. Comparative figures have been updated to incorporate this change.

5. Goodwill

Carrying amount of goodwill allocated to operating segments:

	6 months ended 30 September 2015 Unaudited £'000	6 months ended 30 September 2014 Unaudited £'000	Year ended 31 March 2015 Audited £'000
Services	3,582	3,582	3,582
Solutions	14,636	14,716	14,604
Goodwill	18,218	18,298	18,186

Goodwill acquired through business combinations has been allocated for impairment testing purposes to two groups of cash-generating units ('CGUs'). These groups of CGUs are its two operating segments 'Services' and 'Solutions' (previously named Products) as the goodwill relates to synergies at this level. The Group conducts annual impairment tests on the carrying value of the CGUs in the balance sheet as at 28 February each year. Impairment testing is only re-performed if an impairment triggering event occurs in the intervening period. Given the fact that an impairment charge of £6.25m arose in the six month period to 30 September 2014, along with a delay in Services revenue; an update to the impairment calculations has been undertaken to ensure the carrying value of goodwill attributable to both Services and Solutions remains valid. Based on the review, no impairment to goodwill has been recorded in the period.

Value in use calculations are used to determine the recoverable amount of cash-generating units. The key assumptions for the value in use calculations remain the forecast revenue growth of each CGU, the discount rate applied and the long-term growth rate of the net operating cash flows, along with the gross margin for Solutions. In determining the key assumptions, management have taken into consideration the expected growth of the markets in which it operates, the ability of the CGU to exploit those opportunities and the current economic climate, the resulting impact on expected growth and pre-tax discount rates, and the pressure this places on impairment calculations. The cost base of the company has stabilised following the restructuring programme undertaken by the Group in the year ended 31 March 2014 and as a result the cost base is not considered to be a key assumption.

The Group has prepared updated cash flow forecasts for the business based on the most recent three-year detailed financial forecasts. These cash flow forecasts take into account recent trading performance, with the resulting profit forecast over the period to FY18 remaining materially unchanged from the profit forecast within the annual impairment review carried out as at 28 February 2015. The key assumptions that supported that impairment review are detailed on page 62 of the 2015 Annual Report.

As in prior period, the Directors have also considered reasonably possible changes in the key assumptions used within the forecasts. Whilst revenues within the Services division are expected to be second half weighted this financial year, in light of the revenue decline evidenced in the period ended 30 September 2015 a reasonably possible reduction to Services revenue of -8% compound over the period FY15 to FY18 has been considered. At this level of revenue decline an impairment charge of £1.2million would arise, which would rise to £2.1m if combined with an increase in discount rate of 2.5%. Sensitivities within the Solutions division remain largely unchanged on those detailed on page 63 of the 2015 Annual Report.

The carrying value of goodwill remains valid.

6. Issued share capital

As at 30 September 2015, there were 84,534,810 Ordinary Shares in issue (30 September 2014: 64,624,616, 31 March 2015: 84,489,481). On 6 July 2015, 45,329 Ordinary shares were issued following the exercise by four employees of vested share options under the Group Long Term Incentive Plan. The shares were issued to the Employee Benefit trust which subsequently transferred them to the employees concerned. On 21 September 2015, 108,749 Incentive Shares, which had failed to convert into Ordinary shares, were converted into Deferred shares of £1.00 each in the capital of the Company.

On 11 December the Company announced that it proposed to raise £25.8million (after expenses) through the fully underwritten placing of 80,571,429 new Ordinary Shares at 35 pence per share. Further details are given in Note 10.

DIGITAL BARRIERS PLC**Notes to the financial statements**

for the 6 months ended 30 September 2015

7. Share Options

The following share awards were granted in the period:

	HMRC Approved Options July 2015	Parallel Options July 2015	Top-Up awards July 2015	Part A awards July 2015	Part A awards Aug 2015
Number granted	914,469	914,469	2,640,531	450,000	150,000
Fair value per option/award	£0.12	£0.25	£0.37	£0.37	£0.43
Exercise price	£0.365	nil	nil	nil	nil
Vesting period (years)	3.0	3.0	3.0	3.0	3.0

The vesting and exercise of these awards are subject to certain performance conditions relating to revenue and profit in the performance period.

The share based payment charge in the period amounts to £0.4million (H115: £0.2million), with the fair value charge attributable to new awards in the period determined using a Black Scholes calculation. Historic awards have been made with a market based performance measure which in the event that LTIPS fail to vest the share based payment charge is not added back to the income statement. To date the majority of historic LTIP awards have failed to vest.

8. Related party transactions

On 2 July 2015 the Remuneration Committee of the Group made a conditional award to Colin Evans, Zak Doffman and Sharon Cooper, under the rules of The Digital Barriers Long Term Incentive Plan (the "Plan"). The vesting and exercise of these awards are subject to certain performance conditions relating to revenue and profit in the performance period.

	Top-up award (no of shares)
Colin Evans	500,000
Zak Doffman	1,000,000
Sharon Cooper	250,000

Full details of the plan can be found in the 2015 Annual Report on page 34.

9. Financial instruments

The Fair Value of financial assets and financial liabilities which are short-term are not disclosed, as the Directors estimate that the carrying amounts of financial assets and financial liabilities are not significantly different to their fair value.

In line with the fair value hierarchy as disclosed in the consolidated financial statements, the bank loan of £0.3m (which has subsequently been repaid) is a level 2.

10. Post balance sheet event

On 11 December the Company announced that it had conditionally agreed to acquire the entire issued share capital of Brimtek Inc, a provider of state-of-the-art technical surveillance solutions to US defence, homeland security, federal law enforcement and intelligence communities, for a maximum aggregate consideration of up to \$45million. Of the total consideration payable under the terms of the acquisition, \$25million is payable in cash upon completion, and the remaining up to \$20million payable as deferred contingent consideration during the period up to 31 December 2017.

In order to finance the initial cash consideration and to provide additional working capital for the Enlarged Group, the Company also announced on the 11 December 2015 that it proposes to raise £25.8million (after expenses) through the fully underwritten placing of 80,571,429 new Ordinary Shares at 35 pence per share.

As is normal in such circumstances, the placing is conditional upon the Company obtaining shareholder approval in a general meeting.