27 November 2014

Digital Barriers plc

("Digital Barriers" or the "Group")

Interim Results for the six months ended 30 September 2014

Digital Barriers (AIM: DGB), the specialist provider of advanced surveillance technologies to the international homeland security and defence markets, announces its unaudited results for the six months ended 30 September 2014.

Key Highlights

- Group revenues in the six-month period to 30 September 2014 were 13% higher than the same period last year at £10.1m (2013: £9.0m)
- Adjusted losses of £5.8m showing a year-on-year reduction (2013: £6.8m), which is expected to further improve through the remainder of the financial year. Loss before tax £13.2m (2013: £7.2m).
- International revenues increased 62% to £3.7m (2013: £2.3m)
- The Group's sales pipeline is significantly stronger than in prior periods, with core products (TVI Video Surveillance, Integrated Surveillance Platform (ISP) - incorporating RDC Ground Sensors and TVI, and ThruVision Passive People Screening) now accounting for almost the entire sales pipeline
- Additional core product, the Cloud Video Platform built on the Group's class-leading TVI technology, now under development and expected to launch this financial year
- Net cash at the end of the period was £7.6m

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

"The Group's international momentum is high and we have an increasing number of flagship customers around the world who have trialled and then selected our technology. Our challenge now is to grow these relationships to become much larger-scale and to overcome the procurement delays that inevitably come with large government and commercial customers. Our qualified sales pipeline continues to strengthen and our assessment of likely sales in the second half provides confidence that we will achieve our expectations for the full year.

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About Digital Barriers:

Digital Barriers provides advanced surveillance technologies to the international homeland security and defence markets, specialising in 'edge-intelligent' solutions that are designed for remote, hostile or complex operating environments. We work with governments, multinational corporations and system integrators in the defence, law enforcement, critical infrastructure, transportation and natural resources sectors. Our surveillance technologies have been successfully proven on some of the most demanding operational and environmental deployments around the world.

www.digitalbarriers.com

Chairman's Statement

Introduction

Following a number of years of acquisitions and a period of integration, the Group is now focused on a single coherent strategy of delivering sales from our core product offerings and developing new core products leveraging our intellectual property. We have devoted significant resources over the past two years to developing and launching a set of integrated product solutions built around the core intellectual property that we have acquired. This has included developing high-definition, IP-camera, platform-agnostic software and mobile-device variants of our TVI video surveillance solution, as well as integrating the technology with market leading video management systems. We have developed the Integrated Surveillance Platform, which combines TVI and our RDC unattended ground sensor, into a fully integrated wide area surveillance solution that provides a new level of capability to the market. Furthermore we have launched an updated version of the ThruVision passive screening solution that provides an enhanced level of functionality and usability.

Although we acquired world-class intellectual property with the businesses brought into the Group, material product development has been required to ensure that the products we take to market have the right level of functionality and capability to meet our wider market opportunities. We have also worked on providing our technologies as integrated solutions rather than standalone products. The Board has confidence in the compelling nature of these new products, which comprise the majority of our sales pipeline. However this two-year period of product development, along with lengthy procurement cycles, has delayed the Group's ability to leverage value from the integrated businesses and generate sales in the expected timeframes and as a consequence an impairment charge of £6.25m has been recorded in the period.

In addition to encouraging revenue growth, losses for the period show a year-on-year reduction. The Board sees this as a genuine inflection point for the Group, as it moves closer towards break-even driven by a continued acceleration in revenue growth alongside a successful reduction in the cost base.

International revenue growth of 62% over the same period last year was particularly strong, reinforcing the Board's view of the opportunity open to Digital Barriers in international markets. This strong international revenue growth came despite delays in our ability to progress opportunities in West Africa due to the Ebola crisis, as announced by the Group on 11 August 2014, a proportion of which the Board had expected to be delivered during the period. The Group maintains a strong sales pipeline into the region, which we are looking to progress as the Ebola crisis is brought under control. UK revenues contracted slightly due to a major MoD programme in the previous year having no counterpart in this period, although we remain highly confident of further revenues from this customer going forward. Balancing this, the UK Services division had a strong half due to work in support of the 2014 Summer Games.

The focus of the Group remains on its core product areas.

Integrated Surveillance Platform (incorporating TVI and RDC technologies)

This solution provides real-time video surveillance and intrusion alerts for remote and inaccessible locations, combining with existing infrastructure and surveillance assets to deliver maximum value for money and use of legacy systems. This provides a Common Operating Picture enabling 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 include force and border protection, critical infrastructure, oil & gas installations, maritime security and law enforcement. Highlights during the period include:

- An initial sale and successful delivery into West Africa for the protection of a secure government facility. This was the first of a set of government projects that were then delayed by the Ebola crisis but which are still expected to progress over this financial year and into FY16.
- A successful trial with a government customer in Asia Pacific. The trial included participation from central government and all branches of the military and is expected to lead to material sales over the coming months and has significant potential to extend into future years.
- Numerous smaller sales into law enforcement agencies in the US, Asia Pacific, Mainland Europe and the Middle East, as well as the first ISP sale for commercial facility protection in the UK which came after the period-end.

TVI Video Surveillance Platform

The TVI technology combines an enterprise-grade server architecture with the world's most efficient video compression and transmission system. It offers an unparalleled real-time 'surveillance from anywhere to anywhere' capability, overcoming the challenges of video transmission over low or variable bandwidth networks, such as cellular, and providing multiple ways to access, share and manipulate critical video information. TVI enables 'edge-based' storage and analysis, for the optimal combination of flexibility and affordability. Highlights from the period include:

- The largest TVI hardware sale, valued at around $1.5m, to a US federal agency for our new HDS600 high-definition product, which is expected to lead to much wider TVI adoption within the agency.
- Initial TVI sales into three new US federal agencies, where the objective again is to achieve agency-wide adoption.
- Modest TVI sales into multiple markets in the Middle East for law enforcement agencies for both static and vehicle-based solutions.
- The development and subsequent first sale of an Integrated TVI vehicle solution, based on our IP450 and including multiple devices and cameras all integrated into a turn-key customer solution.
- The formal launch of a TVI powered service, based on our Minicam, by the UK's largest telecoms company.

ThruVision Passive People Screening

ThruVision uses a unique passive sensing method that relies only on millimeter-wave energy produced by and reflected from the body – thereby making it 100% safe, non-invasive and, if necessary, covert in operation. The technology can screen for both metallic and non-metallic objects concealed under clothing, including explosives, weapons, drugs, currency and other contraband. It is the world's leading passive people scanning technology. This was the best ever period for ThruVision sales, and highlights included:

- A sale into the security agencies protecting the recent ASEAN summit in Myanmar, where the technology was used to secure those areas where key dignitaries were in attendance.
- An initial sale into a major Asia Pacific customs agency for airport screening, this sale followed a user trial and has now been operationally deployed with significant success.
- The first sale into the counter-terrorism division of a major US metropolitan police department, the technology will be used for the protection of high-profile facilities and is expected to be part of a wider adoption.

Cloud Video Platform (CVP)

Development commenced during the period on the Group's fourth and new core product area: its enterprise-grade Cloud Video Platform. This is expected to significantly widen the market for TVI video surveillance technology and will capitalise on the major investment the Group has made in the technology. TVI is a unique video technology that has been proven to be more efficient at the compression of live video than competing technologies on the market today. As a consequence, TVI is now being adopted by flagship customers around the world, including US federal agencies and major telecom operators. The Group intends to use this same technical advantage to power a cloud-based architecture that can meet the demands of enterprises and the wider market for surveillance and other video based applications in the future. TVI can stream live video in and out of a cloud-based service more efficiently than any other technology on the market, delivering major cost and operational efficiencies, as well as significantly improved usability.

The Group expects to launch CVP towards the end of the financial year.

Changes to Management Arrangements

Zak Doffman was appointed to the position of Chief Executive Officer of the Group on 14 October 2014. Tom Black continues to serve as Chairman of the Board in a Non-Executive capacity, providing Zak with strong support and guidance in his new role.

A founding Executive Director of the Group and member of the Board, Zak has been responsible for developing the strategy and acquiring the businesses brought into the Group, as well as establishing and managing commercial and sales operations around the world. Zak leads an executive team which includes Colin Evans, who became Chief Operating Officer on the same date, and Sharon Cooper, who continues in her role as Group Finance Director.

Financials

Revenue and Gross Margin

Revenue in the period grew 13% to £10.1m in the six-months ended 30 September 2014 compared to £9.0m in the same period last year. Underlying Product revenues contracted 25% to £5.5m (2013: £7.3m), driven by a reduction in UK Product revenues. International Product revenues grew 62% over the same period last year, reflecting the continued sales focus in this area where the Board sees the greatest opportunity for growth. Services revenue grew significantly in the period up from £1.7m in 2013 to £4.6m in 2014.

The Group generated a gross profit of £3.1m (2013: £3.8m), which equates to a gross margin of 31% (2013: 42%). The lower gross margin is predominantly due to the strong performance within the Services division in the period, with revenues within the Services division attracting a lower gross margin than the Product division. Gross margin for the Group is forecast to increase through the second half with Product revenues contributing a greater proportion of total revenue.

Adjusted Loss

The adjusted loss before tax was £5.8m (2013: £6.8m) and on an unadjusted basis was £13.2m (2013: £7.2m). The reduction in the adjusted loss is driven by a reduction in underlying overheads which have declined from £10.6m in 2013 to £9.0m in 2014. The unadjusted loss includes a £6.25m non-cash impairment charge against the carrying value of goodwill within the Products division. This impairment reflects a period of product development, which has delayed the Group's ability to leverage value from the integrated businesses in the expected timeframes, along with delays in sales cycles reported to the market by the Group on 11 August and the corresponding impact on short-term performance.

Cash

The Group ended the period with a £7.6m cash balance (31 March 2014: £14.2m). Net cash outflow from operating activities was £6.4m including a £0.7m working capital outflow together with £5.7m of other operating outflows, primarily cash loss before tax. Capital expenditure in the period of £0.2m accounts for the balance of the cash spend.

Outlook

The momentum in the Group, underpinned by significant international growth and a strengthening sales pipeline, gives the Board confidence for the second half of the financial year. While customer procurement processing delays can adversely impact Group results in any particular period, the Board's assessment of likely sales in the second half provides confidence that the Group will achieve its expectations for the full year.

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 2014 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 7. 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 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules issued by the London Stock Exchange.

Ernst & Young LLP
London
26 November 2014

DIGITAL BARRIERS PLC
Consolidated income statement
for the six months ended 30 September 2014

	Note	**6 months ended 30 September 2014 Unaudited £'000**	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Revenue	2	**10,137**	9,009	19,042
Cost of sales		**(6,993)**	(5,223)	(10,319)
Gross profit		**3,144**	3,786	8,723
Administration costs		**(16,326)**	(11,490)	(24,341)
Other income		**-**	489	706
Other costs		**-**	-	(160)
Operating loss		**(13,182)**	(7,215)	(15,072)
Finance revenue		**8**	1	32
Finance costs		**-**	(20)	(27)
Loss before tax		**(13,174)**	(7,234)	(15,067)
Income tax		**57**	334	458
Loss for the period / year		**(13,117)**	(6,900)	(14,609)

Adjusted loss:	3			
Loss before tax		**(13,174)**	(7,234)	(15,067)
Amortisation of intangibles initially recognised on acquisition		**996**	867	1,733
Impairment of goodwill & intangibles		**6,250**	-	160
Loss on disposal of businesses		**83**	-	-
Adjustments to deferred consideration		**-**	(472)	(679)
Reorganisation costs		**-**	-	1,860
Adjusted loss before tax for the period		**(5,845)**	(6,839)	(11,993)

(Loss) per share - basic	4	**(20.30p)**	(13.54p)	(25.87p)
(Loss) per share - diluted	4	**(20.30p)**	(13.54p)	(25.87p)
(Loss) per share - adjusted	4	**(9.03p)**	(12.87p)	(21.49p)
(Loss) per share - adjusted diluted	4	**(9.03p)**	(12.87p)	(21.49p)

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

DIGITAL BARRIERS PLC
Consolidated statement of comprehensive income
for the six months ended 30 September 2014

	Note	**6 months ended 30 September 2014 Unaudited £'000**	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Loss for the period / year		**(13,117)**	(6,900)	(14,609)
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on retranslation of foreign operations		**(327)**	(27)	9
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(327)**	(27)	9
Total comprehensive loss attributable to owners of the parent		**(13,444)**	(6,927)	(14,600)

DIGITAL BARRIERS PLC
Consolidated balance sheet
at 30 September 2014

	Note	**30 September 2014 Unaudited £'000**	30 September 2013 Unaudited £'000	31 March 2014 Audited £'000
Assets				
Non current assets				
Property, plant and equipment		**783**	1,245	1,108
Goodwill		**18,298**	24,647	24,802
Other intangible assets		**2,791**	4,931	3,857
		21,872	30,823	29,767
Current assets				
Inventories		**4,117**	3,743	3,895
Trade and other receivables		**7,634**	7,261	7,706
Current tax recoverable		**845**	1,102	826
Cash and cash equivalents		**7,582**	1,145	14,246
		20,178	13,251	26,673
Total assets		**42,050**	44,074	56,440
Equity and liabilities				
Attributable to owners of the parent				
Equity share capital	6	**646**	510	646
Share premium		**75,879**	57,989	75,879
Capital redemption reserve		**4,786**	4,735	4,786
Merger reserve		**454**	454	454
Translation reserve		**(539)**	(248)	(212)
Other reserves		**(307)**	(307)	(307)
Retained earnings		**(44,266)**	(23,904)	(31,352)
Total equity		**36,653**	39,229	49,894
Non current liabilities				
Deferred tax liabilities		**163**	305	194
Financial liabilities		**-**	207	-
Provisions		**147**	-	161
		310	512	355
Current liabilities				
Trade and other payables		**4,865**	4,115	5,608
Financial liabilities		**163**	218	163
Provisions		**59**	-	420
		5,087	4,333	6,191
Total liabilities		**5,397**	4,845	6,546
Total equity and liabilities		**42,050**	44,074	56,440

DIGITAL BARRIERS PLC
Consolidated statement of changes in equity
for the 6 months ended 30 September 2014

	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Translation reserve	Other reserves	Profit and loss reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2013	510	57,989	4,735	454	(221)	(307)	(17,267)	45,893
Loss for the period	-	-	-	-	-	-	(6,900)	(6,900)
Other comprehensive loss	-	-	-	-	(27)	-	-	(27)
Share-based payment credit	-	-	-	-	-	-	263	263
At 30 September 2013	510	57,989	4,735	454	(248)	(307)	(23,904)	39,229
Loss for the period	-	-	-	-	-	-	(7,709)	(7,709)
Other comprehensive loss	-	-	-	-	36	-	-	36
Share-based payment credit	-	-	-	-	-	-	261	261
Share issue cost	-	(677)	-	-	-	-	-	(677)
Share placement	133	18,567	-	-	-	-	-	18,700
Incentive share conversion	3	-	51	-	-	-	-	54
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)
Share-based payment credit	-	-	-	-	-	-	203	203
At 30 September 2014	**646**	**75,879**	**4,786**	**454**	**(539)**	**(307)**	**(44,266)**	**36,653**

DIGITAL BARRIERS PLC
Consolidated statement of cash flows
for the 6 months ended 30 September 2014

	6 months ended 30 September 2014 Unaudited £'000	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Operating activities			
Loss before tax	**(13,174)**	(7,234)	(15,067)
Non-cash adjustment to reconcile loss before tax to net cash flows			
Depreciation of property, plant and equipment	**341**	394	739
Amortisation of intangible assets	**1,067**	929	1,819
Impairment of intangible assets	**6,250**	-	160
Share-based payment transaction expense	**203**	263	524
Release of deferred consideration	**-**	(260)	(494)
Reassessment of deferred consideration	**-**	(229)	(212)
Disposal of fixed assets	**162**	(2)	178
Finance income	**(8)**	(1)	(32)
Finance costs	**-**	20	27
Working capital adjustments:			
(Increase) / decrease in trade and other receivables	**(11)**	5,966	5,353
Increase in inventories	**(137)**	(1,964)	(2,116)
Decrease in trade and other payables	**(562)**	(1,937)	(919)
(Decrease) / increase in deferred revenue	**(182)**	-	704
(Decrease) / increase in provisions	**(375)**	-	581
Cash utilised in operations	**(6,426)**	(4,055)	(8,755)
Tax received	**7**	146	220
Net cash flow from operating activities	**(6,419)**	(3,909)	(8,535)
Investing activities			
Sale of property, plant & equipment	**-**	2	-
Purchase of property, plant & equipment	**(188)**	(269)	(624)
Expenditure on intangible assets	**(44)**	(32)	(8)
Payment of deferred consideration	**-**	(188)	(188)
Interest received	**8**	1	32
Net cash flow from investing activities	**(224)**	(486)	(788)
Financing activities			
Proceeds from issue of shares	**-**	-	18,700
Share issue costs	**-**	-	(677)
Interest paid	**-**	(3)	-
Net cash flow from financing activities	**-**	(3)	18,023
Net (decrease) / increase in cash and cash equivalents	**(6,643)**	(4,398)	8,700
Cash and cash equivalents at beginning of period / year	**14,246**	5,544	5,544
Effect of foreign exchange rate changes on cash and cash equivalents	**(21)**	(1)	2
Cash and cash equivalents at end of period / year	**7,582**	1,145	14,246

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 2014, 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 2014.

The Group's original forecasts and projections for the year ended 31 March 2015 have been revised downwards during the period, as announced on 11 August 2014. As a result of modifying expectations the Directors have undertaken a detailed review of revised forecasts and projections for the Group. These revised forecasts and projections assume accelerated revenue growth in the six-month period to 31 March 2015, with a material reduction in the losses incurred by the Group. Revenue growth is forecast to continue into the financial year ended 31 March 2016 with further improvements in the profitability of the Group. Based on these projections, and taking account of reasonably possible changes in trading performance, the Group should be able to operate within its current level of cash reserves of £7.6m, as at 30 September 2014. 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.

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 27 May 2014 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 2014 is extracted from the financial statements for that period. 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.

The following new and revised international financial reporting standards are effective for this interim period:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements. Effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. The standard is not expected to significantly affect the Group's results or financial position.

IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2014. IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, IAS 31, and IAS 28, while others are new.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32. Effective for annual periods beginning on or after 1 January 2014. These amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right to set-off'. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The standard is not expected to significantly affect the Group's results or financial position.

2. Segmental information

The Group is organised into the Services and Products divisions for internal management, reporting and decision-making, based on the nature of the products 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 2014			6 months ended 30 September 2013		
	Services Unaudited £'000	**Products Unaudited £'000**	**Total Unaudited £'000**	Services Unaudited £'000	Products Unaudited £'000	Total Unaudited £'000
Total segment revenue	**4,614**	**5,664**	**10,278**	1,672	7,414	9,086
Inter-segment revenue	**-**	**(141)**	**(141)**	-	(77)	(77)
Revenue	**4,614**	**5,523**	**10,137**	1,672	7,337	9,009
Segment operating (loss) / profit	**200**	**(1,368)**	**(1,168)**	(290)	(1,904)	(2,194)
Corporate overheads			**(4,685)**			(4,626)
Net adjusted loss items (see note 3)			**(7,329)**			(395)
Operating loss			**(13,182)**			(7,215)
Finance income			**8**			1
Finance costs			**-**			(20)
Loss before tax			**(13,174)**			(7,234)
Income tax			**57**			334
Loss for the period			**(13,117)**			(6,900)

	Year ended 31 March 2014		
	Services Audited £'000	Products Audited £'000	Total Audited £'000
Total segment revenue	4,527	14,696	19,223
Inter-segment revenue	-	(181)	(181)
Revenue	4,527	14,515	19,042
Segment operating profit / (loss)	(97)	(1,854)	(1,951)
Corporate overheads			(10,074)
Net adjusted loss items (see note 3)			(3,047)
Operating loss			(15,072)
Finance income			32
Finance costs			(27)
Loss before tax			(15,067)
Income tax			458
Loss for the year			(14,609)

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 2014 Unaudited £'000	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Amortisation of intangibles initially recognised on acquisition	**996**	867	1,733
Adjustments to deferred consideration	**-**	(472)	(679)
Impairment of goodwill and intangible assets (note 5)	**6,250**	-	160
Loss on disposal of businesses (i)	**83**	-	-
Reorganisation costs (ii)	**-**	-	1,860
Total adjustments	**7,329**	395	3,074

(i) During the 6 months ended 30 September 2014 Margaux Matrix Limited and Visimetrics (UK) Limited, two wholly owned subsidiaries, were disposed of for £nil consideration.

(ii) Reorganisation costs of £1.9m in the year ended 31 March 2014 relate to a restructuring programme undertaken to rationalise the cost base of the Group. A provision for £0.6m remained on the balance sheet as at 31 March 2014 representing amounts still to be settled. Of this, £0.4m has been settled in cash in the period.

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 2014 Unaudited £'000	6 months ended 30 September 2013 Unaudited £'000	Year ended 31 March 2014 Audited £'000
Loss after tax	**(13,117)**	(6,900)	(14,609)
Amortisation of acquired intangible assets, net of tax	**951**	815	1,559
Adjustments to deferred consideration	**-**	(472)	(679)
Impairment of goodwill and intangibles, net of tax	**6,250**	-	160
Reorganisation costs	**-**	-	1,432
Loss on disposal of assets	**83**	-	-
Adjusted loss after tax	**(5,833)**	(6,557)	(12,137)
Weighted average number of shares	**64,624,616**	50,963,166	56,472,084
Basic and diluted loss per share	**(20.30p)**	(13.54p)	(25.87p)
Basic and diluted adjusted loss per share	**(9.03p)**	(12.87p)	(21.49p)

5. Impairment of goodwill

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 '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. As announced on 11 August 2014, the Group's original forecasts for the year ended 31 March 2015 were revised downwards during the period. As a result the Group conducted an impairment test on the carrying value of the Product division as at 30 September 2014.

Value in use calculations are used to determine the recoverable amount of the Product cash-generating unit. The key assumptions for the value in use calculations are the forecast revenue growth of the CGU, cost allocations, the discount rate applied and the long-term growth rate of the net operating cash flows. In determining the key assumptions, management have taken into consideration the nature 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, cost base and pre-tax discount rates, and the pressure this places on impairment calculations.

The Group prepares cash flow forecasts for the cash-generating unit based on the most recent three-year detailed financial forecasts. These forecasts have been revisited in light of the announcement on 11 August 2014 and progression of the business through its phases of development. The cash flow forecasts are based on an internal assessment of the strength of the CGU in the markets in which it operates, the costs attributable to the CGU and the expected growth in revenue and margins, reflecting the size and opportunities in its core strategic markets. Revenue growth in years two and three is forecast at 40% and 20% per annum respectively based on lowered forecast, with revenue growth of 2.5% assumed from year four onwards, being an external estimate of the UK's long-term growth rate. A discount rate of 11.6% has been applied. Based on these assumptions, an impairment charge of £6.25m arises.

The value of the Product division is sensitive to changes in the discount rate and profits generated by the division. An increase in the discount rate above 11.6%, with all other assumptions unchanged, would result in an incremental impairment in the six-month period to 31 March 2015. Similarly a reduction in the profits generated by the division, either through reduced revenues or increased costs, which is not recovered sufficiently in future periods, would also result in an incremental impairment in the six-month period to 31 March 2015.

6. Issued share capital

As at 30 September 2014, there were 64,624,616 Ordinary Shares in issue (30 September 2013: 50,984,761, 31 March 2014: 64,624,616).

7. Related party transactions

On 12 June 2014 the Remuneration Committee of the Group made a conditional grant to Colin Evans, Zak Doffman and Sharon Cooper, under the rules of The Digital Barriers Long Term Incentive Plan (the "Plan"). The award comprised three elements as detailed below:

- An award of HMRC approved Options at an exercise price of £1.195
- An award of nil cost parallel options; and
- A top-up award of nil cost options

	HMRC approved options (no of shares)	Value of Parallel options £	Top-up award (no of shares)
Colin Evans	25,104	£29,999.28	100,419
Zak Doffman	25,104	£29,999.28	100,419
Sharon Cooper	25,104	£29,999.28	79,498

Full details of the plan can be found in the 2014 Annual Report on page 34.