

## IndigoVision Group plc (“IndigoVision” or “The Group”) Interim Report 2010

### Highlights

#### Financial Highlights

- Revenues up 12% to £12.0m (6 months to 31 January 2009 £10.7m)
- Operating profit unchanged at £1.2m
- Earnings per share up 9% at 10.4p (6 months to 31 January 2009 9.5p)
- Net cash balances increased to £3.9m (31 July 2009 £3.6m)

#### Operational Highlights

- Continued increase in investment in engineering
- Key project wins in rail in N America, Latin America and Europe
- Banking wins in several geographies
- Strong growth in emerging markets

#### Chief Executive, Oliver Vellacott, said:

“These results are encouraging in a challenging economic climate, with sales comfortably ahead of last year and the second quarter stronger than the first.

Whilst business and economic risks remain in the short term, we continue to have a high level of confidence in the long term future of IndigoVision.”

### Notes to Editors

#### About IndigoVision

IndigoVision is a leading manufacturer of complete end-to-end IP Security Management Systems. IndigoVision is widely chosen for applications in airports, city centres, retail, ports, mines, road and rail systems, education, banking, casinos, prisons, government and the military. These enterprise-class systems improve organisations' operational efficiency, enhance public safety and enable timely emergency response.

IndigoVision is headquartered in Edinburgh UK, with local sales and support offices across the world. IndigoVision partners with some 373 authorised system integrators and installers in 76 countries to provide local system design, installation and service to end users.

#### Shareholder calendar

29 September 2010	Full year results announced
4 November 2010	Annual General Meeting

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## Chairman's Statement

We reported at the Annual General Meeting in November 2009 that we had had a mixed start to the year, and to some extent that has continued with some markets performing well and others poorly. Overall, however, the second quarter was stronger than the first, sales for the half year are comfortably ahead of last year, and operating profits flat having absorbed a material increase in research and development costs. That represents an encouraging first half in a challenging economic environment.

The market for IP video has again developed and we continue to believe it is right to position IndigoVision for future growth.

### Results

Revenue for the six months to 31 January 2010 increased 12% to £12.0m (2009: £10.7m). Sales and order intake continued to draw a mixed picture in the first half with Asia Pacific, Latin America, Northern Europe and the UK growing whilst North America, Southern Europe and the Middle East performed at lower rates, the latter primarily affected by the fall off in the construction market.

Gross margin fell to 62% (2009: 67%). The reduction in gross margin, in line with our expectations, resulted from changes in the mix of sales towards higher-value cameras, and from increased warranty costs. Gross profit increased 3% to £7.4m (2009: £7.1m). Operating costs grew 4% to £6.2m (2009: £5.9m). Administration costs were lower than last year at £1.4m (2009: £1.6m). Having completed a reorganisation to focus resource in the regions, closer to markets, we announced last September that we planned to make a significant investment in product development in the current financial year. As a result there was a 30% increase in engineering spend to £1.3m (2009: £1.0m). Selling and distribution costs were unchanged at £3.4m (2009: £3.4m) within which there was a reorganisation within the EMEA sales team and expansion in support of growing territories.

Operating profit was unchanged at £1.2m and operating margin remained robust at 10% of sales (2009: 11%). Profit before tax was unchanged at £1.2m. The tax charge of £0.4m (2009: £0.5m) primarily represents the utilisation of prior year tax losses to offset the current period taxable profit. Profit after tax rose 12% to £0.8m (2009: £0.7m) and fully diluted earnings per share rose 9% to 10.4p (2009: 9.5p).

### Financial Resources

During the first half, IndigoVision generated £1.5m (2009: £1.2m) of cash from operating activities after adjusting for non-cash items. In order to finance the higher levels of business, £0.8m (2009: £1.4m) of this was absorbed by a net increase in working capital. The cash position at 31 January 2010 was £3.9m (2009: £1.6m). Cash at the last year end, 31 July 2009, was £3.6m.

### Dividend

Following our inaugural dividend payment in November 2009, we currently intend to recommend a full year dividend for payment in November 2010. The amount and payment date will be confirmed in our preliminary statement of annual results for the current year. The Board is not paying an interim dividend this year.

### The Business

IndigoVision solutions are employed across 20 different market sectors. Recent growth has been achieved in rail, banking and public space security. IndigoVision's route to market is through its local partners – systems integrators and installers – who receive comprehensive training from IndigoVision and who provide local system design, installation and support. IndigoVision continues to widen its channel to market with over 373 partners now authorised in over 76 countries.

IndigoVision provides a complete IP video security solution, which can scale from just one camera to many thousands of cameras. The IndigoVision pricelist spans several hundred items - IP cameras, transmitters, receivers, network storage devices, alarm panels and security management system software - and it is this breadth and depth of products that gives IndigoVision's partners huge choice and power in designing a total video solution as well as providing the Group with the foundation for a much larger business.

A wide range of integration modules give IndigoVision partners the ability to design systems incorporating popular 3<sup>rd</sup> party systems such as access control, perimeter detection and vehicle license plate recognition.

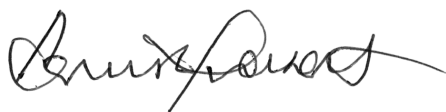
Customers therefore have the freedom to choose the best technology for their needs yet control it from one 'front end'. For video management IndigoVision provides an end-to-end solution – both hardware and software – giving users the maximum performance and confidence which is possible from having a single point of supply. We are also active participants in the Open Network Video Interface Forum ("ONVIF") and Physical Security Interoperability Alliance ("PSIA") open standards, meaning our users will in future have the freedom to choose whichever camera manufacturer best suits their needs and the ability to use IndigoVision security management system software with ONVIF and PSIA compliant cameras from other manufacturers.

### **Current Trading and Outlook**

The economic backdrop remains uncertain and we continue to see diverse performance from different markets with no clear pattern emerging. However, overall, the business continues to grow and we believe that the market for IndigoVision's products will continue to develop significantly. Accordingly, whilst business and economic risks remain in the short term, we continue to have a high level of confidence in the long term future of IndigoVision.

### **Shareholder Information**

Our website can be accessed at [www.indigovision.com](http://www.indigovision.com) and contains a large amount of information about our business. The website also carries copies of prior year accounts and stock exchange announcements.



HAMISH GROSSART  
Chairman  
10 March 2010

## Condensed consolidated income statement

For the 6 months to 31 January 2010

£'000	Note	Interim 2010 Unaudited	Interim 2009 Unaudited	Full Year 2009 Audited
Revenue		<b>11,972</b>	10,687	26,364
Cost of sales		<b>(4,574)</b>	(3,534)	(9,455)
<b>Gross profit</b>		<b>7,398</b>	7,153	16,909
Research and development expenses		<b>(1,326)</b>	(1,018)	(2,263)
Selling and distribution expenses		<b>(3,425)</b>	(3,339)	(6,993)
Administrative expenses		<b>(1,424)</b>	(1,591)	(4,393)
<b>Operating profit</b>		<b>1,223</b>	1,205	3,260
Financial income		<b>1</b>	3	4
Financial expense		<b>-</b>	(1)	(1)
<b>Net financing income</b>		<b>1</b>	2	3
<b>Profit before tax</b>		<b>1,224</b>	1,207	3,263
Income tax expense	3	<b>(409)</b>	(480)	(778)
<b>Profit for the period attributable to equity holders of the parent</b>		<b>815</b>	727	2,485
Basic earnings per share (pence)	2	<b>11.1</b>	10.0	34.1
Diluted earnings per share (pence)	2	<b>10.4</b>	9.5	32.4

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

## Condensed consolidated statement of comprehensive income

For the 6 months to 31 January 2010

£'000		Interim 2010 Unaudited	Interim 2009 Unaudited	Full Year 2009 Audited
<b>Profit for the period</b>		<b>815</b>	727	2,485
<b>Other comprehensive income:</b>				
Currency translation differences on foreign operations		<b>(4)</b>	50	33
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>		<b>811</b>	777	2,518

## Condensed consolidated balance sheet

As at 31 January 2010

£'000	<b>Interim 2010 Unaudited</b>	Interim 2009 Unaudited	Full Year 2009 Audited
<b>Non-current assets</b>			
Property, plant and equipment	349	401	345
Intangible assets	25	51	38
Deferred tax	<u>5,615</u>	6,186	5,939
<b>Total non-current assets</b>	<b>5,989</b>	6,638	6,322
<b>Current assets</b>			
Inventories	4,194	3,355	2,909
Trade and other receivables	5,561	5,305	6,142
Cash and cash equivalents	<u>3,900</u>	1,551	3,551
<b>Total current assets</b>	<b>13,655</b>	10,211	12,602
<b>Total assets</b>	<b>19,644</b>	16,849	18,924
<b>Current liabilities</b>			
Trade and other payables	2,954	2,912	3,035
Provisions	<u>240</u>	150	180
<b>Total current liabilities</b>	<b>3,194</b>	3,062	3,215
<b>Non-current liabilities</b>			
Provisions	<u>25</u>	30	25
<b>Total non-current liabilities</b>	<b>25</b>	30	25
<b>Total liabilities</b>	<b>3,219</b>	3,092	3,240
<b>Net assets</b>	<b>16,425</b>	13,757	15,684
<b>Equity</b>			
Called up share capital	74	73	73
Share premium account	1,474	1,343	1,367
Other reserve	5,146	5,146	5,146
Translation reserve	13	34	17
Profit and loss account	<u>9,718</u>	7,161	9,081
<b>Total equity attributable to equity holders of the parent</b>	<b>16,425</b>	13,757	15,684

## Condensed consolidated statement of changes in equity

£'000	Share Capital	Share Premium	Other Reserve	Translation Reserve	Retained Earnings	Total Equity
<b>Balance at 1 August 2009</b>	73	1,367	5,146	17	9,081	15,684
<b>Comprehensive Income:</b>						
Profit for the period	-	-	-	-	815	815
Currency translation differences on foreign operations	-	-	-	(4)	-	(4)
<b>Total comprehensive income</b>	-	-	-	(4)	815	811
<b>Transactions with owners:</b>						
Share options exercised by employees	1	107	-	-	-	108
Equity-settled transaction, including deferred tax effect	-	-	-	-	190	190
Dividends relating to 2009	-	-	-	-	(368)	(368)
<b>Total transactions with owners</b>	1	107	-	-	(178)	(70)
<b>Balance at 31 January 2010</b>	<b>74</b>	<b>1,474</b>	<b>5,146</b>	<b>13</b>	<b>9,718</b>	<b>16,425</b>

## Consolidated statement of cash flows

For the 6 months to 31 January 2010

£'000	Interim 2010 Unaudited	Interim 2009 Unaudited	Full Year 2009 Audited
<b>Cash flows from operating activities</b>			
Profit for the period	815	727	2,485
Adjusted for:			
Depreciation and amortisation	130	149	285
Financial income	(1)	(3)	(4)
Financial expenses	-	1	1
Share based payment expense	105	148	264
Foreign exchange gain	(51)	(312)	(150)
Income tax expense	409	480	778
Increase in inventories	(1,285)	(885)	(439)
Decrease/(Increase) in trade and other receivables	581	(622)	(1,459)
(Decrease)/Increase in trade and other payables	(81)	152	275
Increase in provisions	60	-	25
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<b>Cash generated/(absorbed by) from operations</b>	682	(165)	2,061
Income taxes refunded	-	-	(1)
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<b>Net cash inflow/(outflow) from operating activities</b>	682	(165)	2,060
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<b>Cash flows from investing activities</b>			
Interest received	1	3	4
Acquisition of property, plant and equipment	(121)	(121)	(191)
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<b>Net cash outflow from investing activities</b>	(120)	(118)	(187)
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<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	108	103	127
Interest paid	-	(1)	(1)
Dividends paid	(368)	-	-
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<b>Net cash (outflow)/inflow from financing activities</b>	(260)	102	126
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Net increase/(decrease) in cash and cash equivalents	302	(181)	1,999
Cash and cash equivalents at 1 August	3,551	1,371	1,371
Effect of exchange rate fluctuations on cash held	47	361	181
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<b>Cash and cash equivalents at period end</b>	3,900	1,551	3,551

## 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 31 January 2010 comprise the Company and its subsidiaries together referred to as “the Group”. The interim report was approved by the board of directors on 10 March 2010.

The financial information is prepared on a historical cost basis and is presented in Sterling, 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 year ended 31 July 2009.

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 year ended 31 July 2009, 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](http://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 31 January 2010 is unaudited.

## 2. Earnings per share

	<b>Interim 2010 £000</b>	Interim 2009 £000	Full Year 2009 £000
Profit for the period attributable to equity shareholders (basic and diluted)	<b>815</b>	727	2,485
	<b>Pence</b>	Pence	Pence
Basic earnings per share	<b>11.1</b>	10.0	34.1
Diluted earnings per share	<b>10.4</b>	9.5	32.4

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:

	<b>Interim 2010 No of shares</b>	Interim 2009 No of shares	Full Year 2009 No of shares
Issued ordinary shares at start of year	<b>7,321,676</b>	7,157,176	7,157,176
Effects of shares issued during the period from exercise of employee share options	<b>28,532</b>	99,093	127,904
Weighted average number of ordinary shares for the period – for basic earnings per share	<b>7,350,208</b>	7,256,269	7,285,080
Effect of share options in issue	<b>464,600</b>	404,300	389,300
Weighted average number of ordinary shares for the period– for diluted earnings per share	<b>7,814,808</b>	7,660,569	7,674,380

## 3. Taxation

The tax charge in the current period primarily represents utilisation of prior year tax losses to offset the current period taxable profits.

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 31 July 2009 such losses amounted to £19.0m of which £0.9m has been utilised to offset the current period taxable profits. At a corporate tax rate of 28%, this is equivalent to a deferred tax asset in relation to these trading losses of £5.1m, which has been fully recognised in the financial statements.