IndigoVision Group plc (“IndigoVision” or “The Group”)

Interim Report 2009

Highlights

Financial Highlights

- Revenues up 16% to £10.7m
- Operating profit down 7% to £1.2m
- Cash of £1.6m

Operational Highlights

- First phase of coast to coast Canada-US border crossings
- First IP Video manufacturer to be approved by the Nevada Gaming Commission
- First casino win on Las Vegas Boulevard – “the Strip”
- Further rail, traffic and government installations
- Development of HD, PTZ and dome cameras

Oliver Vellacott, Chief Executive, said:

“As we expected, growth has slowed as a result of weaker corporate spending, dislocation in credit markets and rapidly deteriorating economic conditions in most markets. Against that background, increasing sales in the first half is creditable. Profitability remains sound and the balance sheet healthy. We have had a good start to the second half.”

Notes to Editors

About IndigoVision

IndigoVision is a leading manufacturer of complete end-to-end IP video security solutions. IndigoVision is widely chosen for applications in airports, city centres, 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 over 290 authorised system integrators and installers in 64 countries to provide local system design, installation and service to end users.

Shareholder calendar

30 September 2009	Full year results announced
5 November 2009	Annual General Meeting

Enquiries to:

IndigoVision Group plc	Oliver Vellacott	CEO	+44 (0) 131 475 7200
	Marcus Kneen	CFO	
Brewin Dolphin, Nominated Advisor	Sandy Fraser		+44 (0) 845 213 2072

Chairman's Statement

The first half of the year has been dominated by a deteriorating economic outlook in most of our major markets, and against that backdrop, we are pleased to be able to report sales growth of 16% for the six months to 31 January 2009. The sales figures benefited from currency movements. Operating margins remained healthy at 11%.

The market for IP Video has continued to develop and although many economies have weakened considerably, IndigoVision continues to position itself for future growth. In the first half year, we continued to develop and extend the product range and make improvements in customer service and support.

Results

Revenue for the six months to 31 January 2009 increased 16% to £10.7m (2008: £9.2m).

Gross margin reduced to 67% (2008: 71%). The reduction in gross margin resulted from changes in the mix of sales towards higher value cameras and price pressures on some larger projects. Gross profit increased 11% to £7.1m (2008: £6.5m). Operating costs grew 15% to £5.9m (2008: £5.2m) and over 90% of this growth was attributable to selling and distribution expenses. Overall headcount, including retained sales agents, rose to 128 from 118 at last year end.

Operating profit was £1.2m (2008: £1.3m), a reduction of 7%. Operating margin reduced to 11% from 14%. Profit before tax reduced 5% to £1.2m (2008: £1.3m). Following recognition of the deferred tax asset in the prior year financial statements, a tax charge of £0.5m (2008: nil) has resulted in the first half and therefore the fully diluted earnings per share fell 43% to 9.5p (2008: 16.7p).

Financial Resources

During the first half, IndigoVision generated £1.2m (2008: £1.6m) of cash from operating activities after adjusting for non-cash items. In order to finance the higher levels of business, £1.4m (2008: £1.2m) of this was absorbed by a net increase in working capital. The cash position at 31 January 2009 was £1.6m (2008: £0.5m). Cash at the last year end, 31 July 2008, was £1.4m.

The Group maintains sufficient facilities to meet its normal funding requirements in respect of on-going working capital and capital expenditure over the medium term. The facilities are a committed bank facility of £3.5m with Royal Bank of Scotland. The Group does not consider that the financial covenants contained in the facility are restrictive to its operations. The facility renewal date is 30 November 2010.

The Business

IndigoVision solutions are employed across 20 different market sectors, with strong presence in casinos, rail, government and city 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 290 partners now authorised in over 64 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 achieved by offering software performance levels to a modest number of hardware platforms including, IP cameras (fixed, dome, PTZ and HD), transmitters, receivers, network video recorders, alarm panels and security management software. This breadth and depth of products 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.

Open Architecture

IndigoVision's products and software operate as an open system, conforming to video and networking standards wherever they exist, such as MPEG-4 and H.264. To give our end users and partners freedom to choose we also integrate with many 3rd party systems such as access control, perimeter detection and automatic number/license plate recognition. Examples of manufacturers with whom we integrate include Lenel, Honeywell, Software House, GE and Cardax and we continue to develop integration with more and more manufacturers. All integration with 3rd party manufacturers uses IndigoVision's Software Developers' Kit (SDK), which is freely available to anyone who wishes to use the same proven platform to integrate with IndigoVision.

IndigoVision is a member of the Open Network Video Interface Forum (ONVIF) and the Physical Security Interoperability Alliance (PSIA), through which we are working to define communication standards for IP Video systems. We are committed to supporting these standards once ratified. This will confirm IndigoVision as a completely open system; giving end users and partners the freedom to choose whatever best meets their needs in selecting a security solution.

Current Trading and Outlook

The first half year of the year has shown that IndigoVision can continue to deliver good performance in difficult conditions. The business benefits from trading in diverse market segments (such as casinos, hotels, transportation and government) and sells globally with deliveries to over 60 countries.

The second half of the year has started well, with sales for the first five weeks materially ahead of the corresponding period last year and the pipeline of opportunities continuing to develop.

The state of the economies where we operate, and the effects of credit dislocation on our customers are risks to the outlook. However, at this stage, we see growth continuing in the second half.

Shareholder Information

Our website can be accessed at 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
11 March 2009

Condensed consolidated income statement

For the 6 months to 31 January 2009

£'000	Note	**Interim 2009 Unaudited**	Interim 2008 Unaudited	Full Year 2008 Audited
Revenue		**10,687**	9,180	18,403
Cost of sales		**(3,534)**	(2,708)	(5,375)
Gross profit		**7,153**	6,472	13,028
Research and development expenses		**(1,018)**	(843)	(1,766)
Selling and distribution expenses		**(3,339)**	(2,617)	(5,572)
Administrative expenses		**(1,591)**	(1,721)	(3,637)
Operating profit		**1,205**	1,291	2,053
Financial income		**3**	3	7
Financial expense		**(1)**	(21)	(24)
Net financing income/(costs)		**2**	(18)	(17)
Profit before tax		**1,207**	1,273	2,036
Income tax (expense)/credit	4	**(480)**	47	4,502
Profit for the period attributable to equity holders of the parent		**727**	1,320	6,538
Basic earnings per share (pence)	2	**10.0**	18.6	91.7
Diluted earnings per share (pence)	2	**9.5**	16.7	82.6

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

Condensed consolidated statement of recognised income and expense

For the 6 months to 31 January 2009

£'000	Note	**Interim 2009 Unaudited**	Interim 2008 Unaudited	Full Year 2008 Audited
Foreign exchange translation differences on foreign operations		**50**	(5)	(5)
Net gains/(losses) recognised directly in equity		**50**	(5)	(5)
Profit for the year		**727**	1,320	6,538
Total recognised income and expense for the year	3	**777**	1,315	6,533

Condensed consolidated balance sheet

As at 31 January 2009

£'000	Note	**Interim 2009 Unaudited**	Interim 2008 Unaudited	Full Year 2008 Audited
Non-current assets				
Property, plant and equipment		**401**	405	413
Intangible assets		**51**	34	64
Deferred tax		**6,186**	3,015	7,103
Total non-current assets		**6,638**	3,454	7,580
Current assets				
Inventories		**3,355**	1,507	2,470
Trade and other receivables		**5,305**	4,981	4,683
Cash and cash equivalents		**1,551**	483	1,371
Total current assets		**10,211**	6,971	8,524
Total assets		**16,849**	10,425	16,104
Current liabilities				
Trade and other payables		**2,912**	2,085	2,760
Provisions		**150**	120	150
Total current liabilities		**3,062**	2,205	2,910
Non-current liabilities				
Provisions		**30**	30	30
Total non-current liabilities		**30**	30	30
Total liabilities		**3,092**	2,235	2,940
Net assets		**13,757**	8,190	13,164
Equity				
Called up share capital	3	**73**	72	72
Share premium account	3	**1,343**	24,089	1,241
Other reserve	3	**5,146**	8,562	5,146
Translation reserve	3	**34**	(16)	(16)
Profit and loss account	3	**7,161**	(24,517)	6,721
Total equity attributable to equity holders of the parent		**13,757**	8,190	13,164

Consolidated statement of cash flows
For the 6 months to 31 January 2009

£'000	**Interim 2009 Unaudited**	Interim 2008 Unaudited	Full Year 2008 Audited
Cash flows from operating activities			
Profit for the period	**727**	1,320	6,538
Adjusted for:			
Depreciation and amortisation	**149**	108	240
Financial income	**(3)**	(3)	(7)
Financial expenses	**1**	21	24
Share based payment expense	**148**	167	289
Foreign exchange gain	**(312)**	(13)	-
Income tax expense/(credit)	**480**	(47)	(4,502)
(Increase)/decrease in inventories	**(885)**	26	(937)
Increase in trade and other receivables	**(622)**	(836)	(538)
Increase/(decrease) in trade and other payables	**152**	(378)	297
Increase in provisions	**-**	-	30
Cash (absorbed by)/generated from operations	**(165)**	365	1,434
Income taxes refunded	**-**	66	66
Net cash (outflow)/inflow from operating activities	**(165)**	431	1,500
Cash flows from investing activities			
Interest received	**3**	3	7
Acquisition of property, plant and equipment	**(121)**	(161)	(335)
Net cash outflow from investing activities	**(118)**	(158)	(328)
Cash flows from financing activities			
Proceeds from the issue of share capital	**103**	45	47
Interest paid	**(1)**	(16)	(24)
Net cash inflow from financing activities	**102**	29	23
Net (decrease)/increase in cash and cash equivalents	**(181)**	302	1,195
Cash and cash equivalents at 1 August	**1,371**	179	179
Effect of exchange rate fluctuations on cash held	**361**	2	(3)
Cash and cash equivalents at period end	**1,551**	483	1,371

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 2009 comprise the Company and its subsidiaries together referred to as "the Group". The interim report was approved by the board of directors on 11 March 2009.

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 2008.

The financial information for the six months to 31 January 2009 does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985 and are unaudited.

Statutory accounts for the year ended 31 July 2008, which were prepared under International Financial Reporting Standards as adopted by the EU, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. Earnings per share

	Interim 2009 £000	Interim 2008 £000	Full Year 2008 £000
Profit for the period attributable to equity shareholders (basic and diluted)	**727**	1,320	6,538
Exceptional deferred tax credit	**-**	-	(5,011)
Adjusted profit for the period attributable to equity shareholders (basic & diluted)	**727**	1,320	1,527
	Pence	Pence	Pence
Basic earnings per share	**10.0**	18.6	91.7
Diluted earnings per share	**9.5**	16.7	82.6
Adjusted basic earnings per share	**10.0**	18.6	21.4
Adjusted diluted earnings per share	**9.5**	16.7	19.3

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:

	Interim 2009 No of shares	Interim 2008 No of shares	Full Year 2008 No of shares
Issued ordinary shares at start of year	**7,157,176**	7,082,176	7,082,176
Effects of shares issued during the period from exercise of employee share options	**99,093**	25,104	49,318
Weighted average number of ordinary shares for the period – for basic earnings per share	**7,256,269**	7,107,280	7,131,494
Effect of share options in issue	**404,300**	802,800	783,300
Weighted average number of ordinary shares for the period– for diluted earnings per share	**7,660,569**	7,910,080	7,914,794

3. Capital and reserves

	Share Capital £000	**Share Premium £000**	**Other Reserve £000**	**Translation Reserve £000**	**Retained Earnings £000**	**Total Equity £000**
Balance at 1 August 2008	**72**	**1,241**	**5,146**	**(16)**	**6,721**	**13,164**
Total recognised income and expense	**-**	**-**	**-**	**50**	**727**	**777**
Share options exercised by employees	**1**	**102**	**-**	**-**	**-**	**103**
Equity-settled transaction, including deferred tax effect	**-**	**-**	**-**	**-**	**(287)**	**(287)**
Balance at 31 January 2009	**73**	**1,343**	**5,146**	**34**	**7,161**	**13,757**

4. Taxation

The tax charge in the current period represents a reduction in the deferred tax asset relating to temporary differences on outstanding share option schemes and the 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 2008 such losses amounted to £22.0m of which £1.2m 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 £5.8m, which has been fully recognised in the financial statements.