

IndigoVision Group plc (“IndigoVision”)
Results for the six months to 31 January 2007

Highlights

Financial Highlights

- Turnover up 108% to £6.2m
- Product revenues up 148%
- Gross margin increased 88% to £3.8m
- Gross margin percentage 61% compared with 68% last year
- Operating profit up four fold to £0.35m

Operating Highlights

- Product revenue growth in all markets
 - Americas up 140% to £1.3m
 - APAC up 255% to £1.3m
 - EMEA up 127% to £3.6m
- Licensing less than £0.1m compared with £0.5m last year
- Sales coverage extended, direct sales force expanded and strengthened
- Product range broadened
 - Next generation H.264 compression launched (9000 range)
 - IP Camera range expanded
 - Cost effective new entry levels introduced
- Major installations in all geographies
 - 600 cameras at Doha International Airport in Qatar
 - 1300 cameras in Vancouver rail networks, Canada
 - 550 cameras at Hollywood Casino in Florida, USA
 - Budapest city centre monitoring in Hungary

Oliver Vellacott, Chief Executive, said:

“The first six months of this year have shown accelerating product revenue growth with healthy product gross margins and an operating profit matching that achieved for the whole of the previous year. Substantial investment has been made in the direct sales force in support of the continuing market shift from analogue to IP video and we expect good growth rates in revenue for the remainder of the year.”

Notes to Editors

About IndigoVision

IndigoVision is a leading manufacturer of complete end-to-end IP video and alarm management solutions. IndigoVision is widely chosen for applications in airports, city centers, 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 & support offices across the world. IndigoVision partners with some 150 authorised system integrators and installers in 30 countries to provide local system design, installation and service to end users.

Enquiries to:

IndigoVision plc

Oliver Vellacott CEO
Marcus Kneen CFO

++44 (0) 131 475 7200

Bell Lawrie
Nominated Advisor

Kenneth Fleming

++44 (0) 141 221 7733

INDIGOVISION GROUP PLC

Results for the six months to 31 January 2007

Chairman's Statement

The last six months have seen continued strong and accelerating growth in sales. Key factors driving greater sales are expansion in the sales team, further market-leading development of the product range and the rate of growth in the market for IP Video.

Results

Turnover for the six months to 31 January 2007 increased by 108% to £6.2m (2006—£3.0m). Product revenue increased by 148% to £6.2m with licensing income now less than 1% of sales. The split of revenues was Europe, Middle East and Africa (EMEA): 58% £3.6m (2006—53% £1.6m), Americas: 21% £1.3m (2006—18% £0.5m), Asia Pacific: 21% £1.3m (2006—12% £0.3m) and licensing and royalty: less than 1% (2006—17% £0.5m). Product sales growth was excellent in all regions; EMEA achieved year on year growth in product sales of 127%, Americas 140%, and Asia Pacific 255%.

Gross margin percentage reduced to 61% (2006—68%). Part of this reduction was as a result of the reduction in licensing income as a proportion of turnover, and part was as a result of expected lower margins on larger orders. Higher sales were partially offset by the lower gross margin percentage but, despite this, overall gross margin increased by 88% to £3.8m (2006—£2.0m). Year on year operating costs increased by 78% to £3.4m (2006—£1.9m). The bulk of this increase was in support of sales and future sales growth. Overall headcount including retained sales agents rose from 63 to 83.

Operating profit was £0.35m (2006 restated—£0.09m), an improvement of 302%. Last year's numbers for operating costs and profit have been restated to reflect FRS20 on share based payments, resulting in a charge to other administrative expenses of £0.10m (2006—£0.07m). After interest income, profit before taxation was £0.36m (2006 restated—£0.11m).

Cash flow from operating activities for the six months was an outflow of £0.6m (2006—inflow £0.2m) reflecting increased debtors on the higher sales. The net cash position at 31 January 2007 was £0.8m (2006—£1.4m). Net cash at the last year end, 31 July 2006, was £1.4m.

Operations

The senior management team has recently been strengthened with the addition of a Chief Marketing Officer and a Supply Chain Director. We have also completed the appointment of five regional Sales Directors (Asia Pacific, Americas, EMEA, UK, Rest of World), reporting direct to the Chief Executive, as part of our foundations for continued growth in the sales team. Again in preparation for higher levels of sales, we have established three worldwide regional hubs (Singapore, USA, UK) to locate stocking, service and support closer to our partners.

We continue to push forward the boundaries of IP Video technology, with key differentiating features being added to our enterprise-class video management software and a broadening range of hardware. Our strongest market sector remains Transportation (airports, rail, ports, roads), with a particularly strong run of recent contract wins in Rail bringing us to 7 major rail systems in total. We are also pushing into other key sectors including City Centres, Casinos, Police and Campuses. The IP Video market continues to develop strongly, with various market research analysts reporting annual growth rates of 30% to 40%.

Current trading and outlook

The first half of the year saw excellent sales growth and the rate of growth accelerated through the period. The sales force is more extensive, market growth appears to be accelerating, and the product range is broadening and continues to attract repeat orders.

Sales in February were over double the same month last year, and the sales opportunity pipeline continues to predict rapid growth. As we said in March last year higher sales revenues are likely to mean some gross margin reduction, but we expect margins going forward to be at healthy and profitable levels. The rate of growth in overhead in the first half, which reflects increased investment in the future of the business, is expected to be less rapid in the second half, in order to ensure that sales growth is turned into improved operating performance.

Although increased sales have inevitably resulted in greater investment in working capital, particularly debtors, the business still ended the half year with net cash of £0.8m and no borrowings. A short-term multi option facility of £2m was arranged during the first half from The Royal Bank of Scotland to support IndigoVision's growth.

As we have said for some time, the long-term future for IndigoVision is attractive. We are now seeing the beginnings of a transition of that view into actual performance. The board is confident that the second half will show continuing strong growth in sales, although work remains to be done to turn that growth into acceptable levels of profitability. The quality and positioning of the company's products coupled with a much strengthened sales and management infrastructure and a growing market give the board good reason to maintain a high level of confidence in the short, medium and long term prospects for your company.

HAMISH GROSSART
Chairman
05 March 2007

Consolidated profit and loss account

For the 6 months to 31 January 2007

| | Note | 6 months to 31 January 2007 Unaudited | 6 months to 31 January 2006 Unaudited Restated | Year to 31 July 2006 Audited Restated |
|----------------------------------------------------------|------|------------------------------------------------------|---------------------------------------------------------|------------------------------------------------|
| | | £000 | £000 | £000 |
| Turnover | | 6,186 | 2,978 | 7,574 |
| Cost of sales | | (2,395) | (958) | (2,853) |
| Gross profit | | 3,791 | 2,020 | 4,721 |
| Research and development expenditure | | (847) | (617) | (1,376) |
| Other administrative expenses | | (2,594) | (1,316) | (2,997) |
| Operating profit | | 350 | 87 | 348 |
| Interest receivable and similar income | | 13 | 25 | 44 |
| Interest payable and similar charges | | - | - | (80) |
| Profit on ordinary activities before taxation | | 363 | 112 | 312 |
| Tax on profit on ordinary activities | 7 | - | 87 | 87 |
| Retained profit for the period | | 363 | 199 | 399 |
| Profit per ordinary share | 3 | | | |
| Basic profit per share | | 5.2p | 2.8p | 5.8p |
| Diluted profit per share | | 4.6p | 2.6p | 5.1p |

Consolidated statement of total recognised gains and losses

For the 6 months to 31 January 2007

| | 6 months to 31 January 2007 Unaudited | 6 months to 31 January 2006 Unaudited Restated | Year to 31 July 2006 Audited Restated |
|------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------|------------------------------------------------|
| | £000 | £000 | £000 |
| Profit for the period | 363 | 199 | 399 |
| Loss on foreign currency translation | (1) | (28) | - |
| Total recognised gains relating to the period | 362 | 171 | 399 |
| Prior year adjustment | (127) | | |
| Total recognised gains since last annual report | 235 | | |

Consolidated balance sheet

at 31 January 2007

| | Note | As at 31 January 2007 Unaudited | | As at 31 January 2006 Unaudited | | As at 31 July 2006 Audited | |
|-------------------------------------------------------|------|---------------------------------------|---------------------|---------------------------------------|---------------------|----------------------------------|---------------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | | | |
| Tangible assets | | | <u>285</u> | | <u>155</u> | | <u>240</u> |
| Current assets | | | | | | | |
| Stocks | | 437 | | 532 | | 398 | |
| Debtors | | 2,808 | | 1,251 | | 2,105 | |
| Cash at bank and in hand | | 781 | | 1,388 | | 1,454 | |
| | | <u>4,026</u> | | <u>3,171</u> | | <u>3,957</u> | |
| Creditors: amounts falling due within one year | | <u>(1,056)</u> | | <u>(864)</u> | | <u>(1,431)</u> | |
| Net current assets | | | <u>2,970</u> | | <u>2,307</u> | | <u>2,526</u> |
| Total assets less current liabilities | | | <u>3,225</u> | | <u>2,462</u> | | <u>2,766</u> |
| Provisions for liabilities and charges | | | <u>(90)</u> | | <u>(75)</u> | | <u>(90)</u> |
| Net assets | | | <u><u>3,165</u></u> | | <u><u>2,387</u></u> | | <u><u>2,676</u></u> |
| Capital and reserves | | | | | | | |
| Called up share capital | | | 70 | | 69 | | 69 |
| Share premium account | 4 | | 23,996 | | 23,972 | | 23,974 |
| Other reserve | 4 | | 8,562 | | 8,563 | | 8,562 |
| Profit and loss account | 4 | | (29,463) | | (30,217) | | (29,929) |
| | | | <u></u> | | <u></u> | | <u></u> |
| Shareholders' funds - equity | | | <u>3,165</u> | | <u>2,387</u> | | <u>2,676</u> |

Consolidated cash flow statement

For the 6 months to 31 January 2007

| | Note | 6 months to 31 January 2007 <i>Unaudited</i> | | 6 months to 31 January 2006 <i>Unaudited</i> | | Year to 31 July 2006 <i>Audited</i> | |
|-----------------------------------------------------------------------------------------------|------|----------------------------------------------------|--------------|----------------------------------------------------|--------------|-------------------------------------------|--------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| Cash flow statement | | | | | | | |
| Cash (outflow)/ inflow from operating activities | 5 | | (607) | | 196 | | 334 |
| Returns on investments and servicing of finance | | | | | | | |
| Interest received | | 13 | | 25 | | 44 | |
| Interest paid | | - | | - | | - | |
| | | | 13 | | 25 | | 44 |
| Taxation | | | - | | 87 | | 87 |
| Capital expenditure and financial investment | | | | | | | |
| Purchase of tangible fixed assets | | | (102) | | (24) | | (144) |
| Cash (outflow)/ inflow before management of liquid resources and financing | | | (696) | | 284 | | 321 |
| Financing | | | | | | | |
| Issue of share capital | | 23 | | - | | 1 | |
| | | | 23 | | - | | 1 |
| (Decrease)/ Increase in cash in the period | | | (673) | | 284 | | 322 |
| Reconciliation of net cash flow to movement in net funds | 6 | | | | | | |
| (Decrease)/ Increase in cash in the period | | | (673) | | 284 | | 322 |
| Translation adjustment | | | - | | (28) | | - |
| Movement in net funds in the period | | | (673) | | 256 | | 322 |
| Net funds at the start of the period | | | 1,454 | | 1,132 | | 1,132 |
| Net funds at the end of the period | | | 781 | | 1,388 | | 1,454 |

Notes to the accounts:

- The interim financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated accounts for the year ended 31 July 2006 except for the implementation of FRS20 (Share Based Payment) which has been adopted in the current period. As a result of the introduction of FRS 20 a charge for share based payments of £104,000 has been made in the financial period to 31 January 2007. In addition a prior year adjustment has been made in respect of previous periods (January 2006 £67,000, July 2006 £127,000) and the comparatives for these periods have been restated accordingly. There is a corresponding credit to the profit and loss reserve and accordingly there is nil effect to the net assets at the end of the reported periods. The information is unaudited and does not comprise the statutory accounts of the group. The comparative figures for the financial year ended 31 July 2006 are not the Company's statutory accounts for that financial year. The statutory accounts of IndigoVision Group plc for the year ended 31 July 2006 have been filed with the registrar of companies. KPMG Audit Plc has reported on the statutory accounts; their report was unqualified and did not contain any statement under section 237 of the Companies Act 1985.
- This report was approved by the board of directors on 5 March 2007.

3. Profit per ordinary share

Profit per share is calculated as follows:

| | 6 months to 31 January 2007 Unaudited £000 | 6 months to 31 January 2006 Unaudited Restated £000 | Year to 31 July 2006 Audited Restated £000 |
|--------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Profit for the period | 363 | 199 | 399 |
| Weighted average number of shares | Number | Number | Number |
| Basic weighted average shares in issue | 6,951,828 | 6,923,976 | 6,927,976 |
| Potential ordinary shares on exercise of share options | 866,000 | 872,100 | 878,200 |
| Total number of shares | 7,817,828 | 7,796,076 | 7,806,176 |
| Basic profit per share | 5.2p | 2.8p | 5.8p |
| Diluted profit per share | 4.6 p | 2.6p | 5.1p |

4. Share premium and reserves

| | Share Premium Account £000 | Other reserve £000 | Profit & Loss Account £000 |
|-------------------------------------------|-------------------------------------------|-------------------------------|-----------------------------------------------|
| At beginning of period | 23,974 | 8,562 | (29,929) |
| Retained profit for period | - | - | 363 |
| Currency exchange movements | - | - | (1) |
| Charge in relation to share based payment | - | - | 104 |
| Increase in share capital | 22 | - | - |
| At end of period | 23,996 | 8,562 | (29,463) |

5. Reconciliation of operating loss to operating cash flows

| | 6 months to 31 January 2007 Unaudited £000 | 6 months to 31 January 2006 Unaudited Restated £000 | Year to 31 July 2006 Audited Restated £000 |
|-------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Operating profit | 350 | 87 | 348 |
| Depreciation | 58 | 28 | 61 |
| Foreign exchange adjustment on fixed assets | (2) | - | (78) |
| (Increase)/ Decrease in stocks | (39) | (179) | (45) |
| (Increase)/ Decrease in debtors | (703) | 179 | (675) |
| (Decrease)/increase in creditors | (375) | 14 | 581 |
| Movement in warranty provisions | - | - | 15 |
| Charge in respect of share based payments | 104 | 67 | 127 |
| | <hr/> | <hr/> | <hr/> |
| Net cash (outflow)/ inflow from operating activities | (607) | 196 | 334 |

6. Analysis of net funds

| | At 1 August 2006 £000 | Cash flow £000 | At 31 January 2007 £000 |
|--------------------------|--------------------------------------|---------------------------|----------------------------------------|
| Cash in hand and at bank | 1,454 | (673) | 781 |
| | <hr/> | <hr/> | <hr/> |
| Total | 1,454 | (673) | 781 |

7. Taxation

As at 31 January 2007 the Group has significant tax losses that are expected to be available for offset against future taxable profit. No taxation charge has been provided in the financial period

8. Copies of this statement will be sent to all shareholders and will be available for at least one month from the registered office, Charles Darwin House, The Edinburgh Technopole, Edinburgh, EH26 0PJ, UK.