

INDIGOVISION GROUP PLC

Results for the six months to 31 January 2005

First half financial highlights:

- Revenues increased by 77% to £1.3m
- Gross profit margin increased from 46% to 56%
- Loss before tax reduced from £1.6m to £1.2m
- Loss per share reduced 29% to 15.5p
- Net cash of £1.9m

First half operational highlights:

- Expanded N American team in support of sales increase of 316%
- Expanded EMEA sales team to support sales increase of 37%
- Sales representatives established in India, Malaysia, Singapore and Thailand
- Successful completion of 2004 Athens Olympics project
- Significant new projects secured in the last six months include:
 - 3 major rail systems in N America and Europe
 - 12th airport project worldwide
 - Monitoring of national TV broadcast for the advertising industry

Oliver Vellacott, Chief Executive Officer, said:

“We are at the forefront of IP Video, providing complete solutions that enable our partners to deploy sophisticated video management systems for large enterprises. The success of the product range is showing through in the sales growth rates being achieved in key markets.”

ENQUIRIES:

IndigoVision plc

Oliver Vellacott (CEO)
Marcus Kneen (CFO)

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Chairman's Statement

The last six months has seen strong growth in sales and gross margin as a result of further market leading developments to the product range and of growth in the sales team. The market for IP Video continues to grow at an increasing rate and the quality of sales enquiries augers well for the long-term future of IndigoVision.

Results

Turnover for the six months to 31 January 2005 increased by 77% to £1.3m (2004—£0.7m). Gross margin increased to 55.7% (2004—46.5%) and product revenue increased to 99% of turnover (2004—97%).

The geographical split of revenues was Europe, Middle East and Africa: 61% (2004— 80%), N. America: 33% (2004— 14%) and Asia: 5% (2004— 6%). N America achieved year on year growth of 316%, Asia 41% and Europe, Middle East and Africa 37%.

Year on year operating costs were reduced by 5% to £1.9m (2004—£2.0m). However within overhead is a shift in resource in support of sales and future sales growth including an increase in headcount from 42 to 50.

The net cash position at 31 January 2005 was £1.9m (2004—£4.2m).

Product developments

The development of IndigoVision's "Control Center" continues with two releases in the last six months. Control Center is a highly scaleable application that allows local and remote control of any CCTV system, from an entry-level system with a small number of cameras, to a large installation with hundreds of cameras.

In conjunction with IndigoVision's compression and transmission technology and its Networked Video Recorder (NVR), Control Center provides a complete solution for digital CCTV. Highlights of the product are:

- Control Center enables local and simultaneous remote monitoring, viewing and recording across multiple sites, regardless of geographical location.
- Control Center works with other 3rd party analog-based CCTV components, e.g., cameras, monitors, keyboards and PTZ units.
- Control Center can be used to quickly analyse thousands of recordings using motion, time and camera search criteria, saving valuable incident search time.
- Control Center supports advanced motion detection which directs operators towards possible incidents
- Recordings from up to 16 cameras can be played back simultaneously.
- Site databases can be created automatically for pre-configured systems.
- Up to 50 live video streams can be viewed from one PC, in two windows using dual head monitors.
- Live and recorded video can be viewed at the same time.
- Control Center authenticates access control per user to every camera.
- Once recorded, video cannot be altered, ensuring the audit trail is intact for evidential purposes.

Embargoed for release until 7.00am 22 March 2005

- The IndigoVision architecture means that cameras, recorders and viewing platforms can be placed in completely separate locations, allowing recordings to be stored in a secure room, or even offsite.
- Several users can simultaneously view, manage and record across the network from any point on that network. Multicast technology allows limitless numbers of users to access video and audio streams using the same bandwidth as one user.
- Network security: 8000 1-input transmitters / receivers have a built-in firewall which can be configured to restrict communication to specific users.
- Synchronized clocks: use of the Network Time Protocol (NTP) allows for central maintenance and synchronization of real-time clocks inside IndigoVision 8000 devices.

2004 Olympics

The most significant application to have been completed over the six months to 31 January was the security system for the 2004 Athens Olympics. IndigoVision technology provided a digital transmission backbone that formed the basis of one of the largest ever IP Video CCTV infrastructure projects implemented anywhere in the world.

The requirements for the CCTV system were very demanding. There were 63 command centres with 1250 operators, monitoring 47 venues spread out over an area of 250 square kilometres. It was clear from the beginning that traditional CCTV systems would not meet these requirements. IndigoVision's tried and tested MPEG-4 technology was chosen as the principal CCTV component after an exhaustive 6 month technical evaluation started 18 months ago.

The 1250 operators worked for many different agencies. Law enforcement, emergency services, military, traffic management, coastguard and local security all required access to all or part of the system and so every operator had to be given unique access rights to particular components. For example, while local users may only have access to local cameras, higher authorities required access to the whole system. What was critical, though, was that any user could, if permissions allowed, have access to any camera or any recording from anywhere in the entire system. This ensured control could be transferred to any of the other centers should any command center become inoperative.

This application would have been impossible to implement using analog CCTV, and illustrates the power of IP Video and IndigoVision's technology.

Current trading and outlook

Turnover for the first half of our reporting year has increased compared with last year as the IP Video market gains momentum.

We expect turnover to continue to grow as the additional sales resource takes effect. Continued focus on cost control and elimination of non-core expenditure is keeping the business on track for achieving targeted 2005 overheads of £4m (2004: £4.0m).

The Board remains confident that IndigoVision is well placed with strong technology to benefit from an increasing market shift from analogue to IP Video products, and expects the Group to move closer to breakeven during the current financial year.

HAMISH GROSSART
Chairman
21 March 2005

Consolidated profit and loss account

For the 6 months to 31 January 2005

	<i>Note</i>	6 months to 31 January 2005 Unaudited	6 months to 31 January 2004 <i>Unaudited</i>	Year to 31 July 2004 <i>Audited</i>
		£000	£000	£000
Turnover		1,285	727	2,255
Cost of sales		(569)	(389)	(1,074)
Gross profit		716	338	1,181
Research and development expenditure		(777)	(728)	(1,502)
Other administrative expenses		(1,168)	(1,312)	(2,463)
Operating loss		(1,229)	(1,702)	(2,784)
Interest receivable and similar income		68	85	162
Interest payable and similar charges		(1)	(2)	(35)
Loss on ordinary activities before taxation		(1,162)	(1,619)	(2,657)
Tax on loss on ordinary activities		87	111	293
Retained loss for the period		(1,075)	(1,508)	(2,364)
Loss per ordinary share	³			
Basic & diluted loss per share		(15.53p)	(21.79p)	(34.16p)

Consolidated statement of total recognised gains and losses

For the 6 months to 31 January 2005

	6 months to 31 January 2005 Unaudited	6 months to 31 January 2004 <i>Unaudited</i>	Year to 31 July 2004 <i>Audited</i>
	£000	£000	£000
Loss for the period	(1,075)	(1,508)	(2,364)
Loss on foreign currency translation	(5)	(41)	(19)
Total recognised gains and losses relating to the period	(1,080)	(1,549)	(2,383)

Consolidated balance sheet

at 31 January 2005

	Note	As at 31 January 2005 Unaudited		As at 31 January 2004 Unaudited		As at 31 July 2004 Audited	
		£000	£000	£000	£000	£000	£000
Fixed assets							
Tangible assets			<u>173</u>		<u>253</u>		<u>195</u>
Current assets							
Stocks		518		474		251	
Debtors		1,008		542		1,124	
Cash at bank and in hand		<u>1,894</u>		<u>4,254</u>		<u>3,704</u>	
		3,420		5,270		5,079	
Creditors: amounts falling due within one year		<u>(633)</u>		<u>(680)</u>		<u>(1,235)</u>	
Net current assets			<u>2,787</u>		<u>4,590</u>		<u>3,844</u>
Total assets less current liabilities			2,960		4,843		4,039
Creditors: amounts falling due after more than one year			-		(9)		-
Provisions for liabilities and charges			(75)		(36)		(75)
Net assets			<u>2,885</u>		<u>4,798</u>		<u>3,964</u>
Capital and reserves							
Called up share capital			69		69		69
Share premium account	4		23,972		23,971		23,971
Other reserve	4		8,563		8,563		8,563
Profit and loss account	4		(29,719)		(27,805)		(28,639)
Shareholders' funds - equity			<u>2,885</u>		<u>4,798</u>		<u>3,964</u>

Consolidated cash flow statement

For the 6 months to 31 January 2005

		6 months to 31 January 2005 <i>Unaudited</i>		6 months to 31 January 2004 <i>Unaudited</i>		Year to 31 July 2004 <i>Audited</i>	
	Note	£000	£000	£000	£000	£000	£000
Cash flow statement							
Cash outflow from operating activities	5		(1,837)		(1,989)		(2,576)
Returns on investments and servicing of finance							
Interest received		68		85		162	
Interest paid		(1)		(2)		(35)	
			67		83		127
Taxation			-		111		110
Capital expenditure and financial investment							
Purchase of tangible fixed assets		(17)		(174)		(196)	
Disposal of tangible fixed assets		-		-		7	
Foreign exchange adjustment		-		-		5	
			(17)		(174)		(184)
Cash outflow before management of liquid resources and financing			(1,787)		(1,969)		(2,523)
Financing							
Repayment of loans		(19)		(19)		(37)	
Issue of share capital		1		-		-	
			(18)		(19)		(37)
(Decrease)/increase in cash in the period			(1,805)		(1,988)		(2,560)
Reconciliation of net cash flow to movement in net funds	6						
(Decrease)/increase in cash in the period			(1,805)		(1,988)		(2,560)
Cash inflow/(outflow) from increase/(decrease) in debt and lease financing			19		19		37
Translation adjustment			(5)		(41)		(19)
Movement in net funds in the period			(1,791)		(2,010)		(2,542)
Net funds at the start of the period			3,676		6,218		6,218
Net funds at the end of the period			1,885		4,208		3,676

Notes to the accounts:

1. The interim financial information has been prepared on the basis of accounting policies consistent with those applied in the accounts for the year ended 31 July 2004. The information is unaudited and does not comprise the statutory accounts of the group. The statutory accounts of IndigoVision Group plc for the year ended 31 July 2004 have been filed with the registrar of companies. KPMG Audit Plc have reported on the statutory accounts; their report was unqualified and did not contain any statement under section 237 of the Companies Act 1985.
2. This report was approved by the board of directors on 21 March 2005.
3. **Loss per share**

Loss per share is calculated as follows:

	Six months to 31 January 2005	Six months to 31 January 2004	Year to 31 July 2004
	£000	£000	£000
Loss for the period	<u>(1,075)</u>	<u>(1,508)</u>	<u>(2,364)</u>
	Number	Number	Number
Weighted average number of shares			
Basic weighted average shares in issue	<u>6,921,976</u>	<u>6,919,976</u>	<u>6,919,976</u>
Basic loss per share	<u><u>(15.53p)</u></u>	<u><u>(21.79p)</u></u>	<u><u>(34.16p)</u></u>

4. Share premium and reserves

	Share Premium Account £000	Other reserve £000	Profit & Loss Account £000
At beginning of period	23,971	8,563	(28,639)
Retained loss for period	-	-	(1,075)
Currency exchange movements	-	-	(5)
Share options exercised	1	-	-
At end of period	<u>23,972</u>	<u>8,563</u>	<u>(29,719)</u>

5. Reconciliation of operating loss to operating cash flows

	Six months to 31 January 2005 £000	Six months to 31 January 2004 £000	Year to 31 July 2004 £000
Operating loss	(1,229)	(1,702)	(2,784)
Depreciation	38	48	116
(Increase)/decrease in stocks	(267)	(68)	155
Decrease/(Increase) in debtors	203	(75)	(474)
(Decrease)/increase in creditors	(582)	(200)	364
Movement in warranty provisions	-	8	47
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Net cash (outflow)/inflow from operating activities	(1,837)	(1,989)	(2,576)
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6. Analysis of net funds

	At 1 August 2004 £000	Cash flow £000	Other non cash changes £000	At 31 January 2005 £000
Cash in hand and at bank	3,704	(1,810)	-	1,894
Debt due within one year	(28)	19	-	(9)
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Total	3,676	(1,791)	-	1,885
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