IndigoVision Group PLC

Final results for year ended 31 July 2011

Financial Highlights

- Revenues £28.9m (2010: £28.0m)
- Operating profit £1.19m (2010: £3.05m)
- Diluted earnings per share 8.2 pence (2010: 25.6 pence)
- Year end cash balances £5.07m (2010: £4.43m)
- Total dividend per share 7.5 pence per share (2010: 7.5 pence)

Operating Highlights

- Sales growth in Latin America +41% and Asia Pacific +16%
- Sales lower in North America -3% and Europe, Middle East and Africa -2%
- Gross margin lower at 56% (2010: 60%)
- Research and product development spend maintained at £3.0m
- Rate of introduction of new products increasing
- ONVIF common standard introduced

Oliver Vellacott, Chief Executive, said:

"Difficult trading towards the end of last year resulted in a reduction in operating profits, but the group continued to grow sales in some markets. We have had a slow start to the current financial year and although sales in the first seven weeks of the current year are approximately in line with last year, order intake is down on the corresponding period last year. Over the last twelve months a great deal of work has been undertaken improving the rate of introduction of new products and we expect that these will start to show through in improved business results as the year progresses. However we remain concerned about the impact of current economic conditions."

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, 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 300 authorised system integrators and installers in 67 countries to provide local system design, installation and service to end users.

Shareholder calendar

11 October 2011	Directors' report and consolidated financial statements circulated
3 November 2011	Annual General Meeting
17 November 2011	Dividend paid
8 March 2012	2012 Interim results announced
27 September 2012	2012 Full year results announced

Enquiries to:

IndigoVision Group plc	Oliver Vellacott CEO Marcus Kneen CFO	++44 (0) 131 475 7200
Brewin Dolphin	Sandy Fraser (NOMAD)	++44 (0) 131 529 0276

Chairman's Statement

The year to 31 July 2011 was a mixed one for IndigoVision. After a good first six months, the revenue for the second half was disappointing and lower than the previous year. Whilst Group revenue for the year as a whole grew marginally over the previous year, sales and profits fell below our earlier expectations as lead times lengthened towards the end of our financial year and pressure on gross margins continued. Notwithstanding the overall weaker performance, good rates of growth were achieved in some regions and the rate of product introductions has been improved.

Results and Dividend

Revenue for the year to 31 July 2011 was £28.9m, 3% higher than last year (2010: £28.0m).

Sales growth was strong in Latin America, up 41% to £3.89m (2010: £2.76m), and satisfactory in Asia Pacific, up 16% to £5.28m (2010: £4.57m), but there was no overall growth in North America, down 3% to £7.72m (2010: £8.04m), and in Europe, Middle East and Africa, down 2% to £12.03m (2010: £12.24m).

Within North America, USA sales increased by 28%. New management in North America has appointed six new sales managers within an overall unchanged headcount. However, the performance in North America was offset by a 35% fall in Canada as previous large roll-outs completed. Sales growth of 18% in Northern Europe was also offset by a 12% reduction in business in the UK, and by 9% lower sales in Southern Europe, Middle East and Africa. This reflects differing regional economies within Europe and weaker conditions in the Middle East. The fall in UK sales was largely expected as public expenditure reductions began to take effect. In our developing regions, now amounting to one third of Group sales, successes include large projects in Brazil, Colombia, China and Australia in government, safe city and airport sectors, with prospective follow on work.

Gross margin for the year was 56%, down from 60% the previous year, as a result of a change in the sales mix, lower prices and a small number of lower margin reference contracts in new territories. There was evidence of continuing product quality improvements as the cost of returns fell by a quarter from the previous year. Overheads grew 9% from £13.7m to £14.9m as we continued to develop the selling and distribution networks in the regions, and maintained investment in research and product development.

Operating profit was £1.19m, much lower than the previous year's £3.05m as a result of gross profit contribution falling £0.64m and overheads rising £1.22m. Cash balances at the year end were £5.07m (2010: £4.43m) and the group had no borrowings. These cash balances together with unutilised bank facilities of £3.5m provide IndigoVision with strong liquidity.

Diluted earnings per share were 8.2 pence, compared with 25.6 pence the previous year. Last year, there was no interim dividend, but a final dividend of 7.5 pence per share was paid. This year, an interim dividend of 4.0 pence was paid. The directors are recommending a final dividend of 3.5 pence for the year, making a total of 7.5 pence for the year, the same as last year's total. If approved by shareholders, the final dividend will be paid on 17 November 2011 to shareholders on the register on 28 October 2011.

Business Momentum

IndigoVision has always been positioned in the top quartile of the market, and we remain comfortable competing here. We are known for high end forensics, intelligent incident handling, distributed architecture and end-to-end solution. Lengthening lead times and the resultant fall off in sales at the end of the year were unexpected, but momentum is being rebuilt with an increased pace of product innovation, including many new software features. In the last year we have increased the rate of new product launches, including a new HD PTZ Camera, two management software releases, including the 'ONVIF' common standard for video, a range of improved Wide Dynamic Range fixed dome cameras and recorders with doubled capacity. These new products are being well received by our partners. Next month we will be launching a new range of 2 Megapixel HD Minidome cameras to widen significantly the scope of the market across which we compete. Hardware quality has continued to improve during the year and this trend is expected to continue. In support of sustained growth being experienced in Latin America a service support centre is being established in Brazil.

Resilient architecture

IndigoVision has a reputation for security systems with exceptional resilience, the basis of which is the unique architecture. Being **distributed** means there are no central server bottlenecks, no single-point-of-failure, strong system resilience and high responsiveness. Being **end-to-end** means the system installs easily, has a low cost of ownership and customers can look to IndigoVision as their single point of accountability. Being **open** means customers are not locked in with IndigoVision and are assured of the freedom to choose third party manufacturers. Add those three key aspects of our architecture together – distributed, end-to-end and open – and our customers have a foundation from which they can rely on an exceptionally resilient security system.

Outlook

The regional management structure put in place two years ago is now firmly established. The product management team who perform the critical link between the market and engineering has been strengthened and engineering has been restructured. With the benefit of hindsight we underestimated the challenge of establishing a range of cameras and early products have slowed the business down. Products launched in 2010/11 are being received more positively and should start to extend IndigoVision's reputation for quality to cameras.

However, we do not expect an easy first half to January 2012. Although sales in the first seven weeks of the current year are approximately in line with last year, order intake is down on the corresponding period last year and there is as yet no sign of lead times improving. Regionally, performance remains mixed, reflecting the economic backdrop.

Whilst not expecting benign conditions, there are positives to be drawn from the growth rates we have been achieving in Latin America and Asia Pacific, from the changes we have made to our North American business and from the resilience of our business in North Europe. The management of the group is firmly focused on achieving the gross and operating performance appropriate to IndigoVision's business and this focus should, in due course, produce improved results. We remain confident in the longer term potential of the business, but realistic that in the short term the performance of IndigoVision is likely to be muted.

Hamish Grossart
Chairman
20 September 2011

Consolidated income statement

For the year ended 31 July 2011

£'000	**2011**	2010
Revenue	**28,886**	28,008
Cost of sales	**(12,747)**	(11,229)
Gross profit	**16,139**	16,779
Research and development expenses	**(3,001)**	(2,975)
Selling and distribution expenses	**(9,481)**	(8,483)
Administrative expenses	**(2,465)**	(2,267)
Operating profit	**1,192**	3,054
Financial income	**21**	11
Financial expenses	**-**	-
Net financing income	**21**	11
Profit before tax	**1,213**	3,065
Income tax expense	**(588)**	(1,095)
Profit for the year attributable to equity holders of the parent	**625**	1,970
Foreign exchange translation differences on foreign operations	**(6)**	(40)
Total comprehensive income for the year attributable to equity holders of the parent	**619**	1,930
Basic earnings per share (pence)	**8.4**	26.8
Diluted earnings per share (pence)	**8.2**	25.6

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

Consolidated balance sheet

As at 31 July 2011

£'000	**2011**	2010
Non-current assets		
Property, plant and equipment	**583**	491
Intangible assets	**93**	22
Deferred tax	**4,278**	4,850
Total non-current assets	**4,954**	5,363
Current assets		
Inventories	**4,197**	3,990
Trade and other receivables	**7,057**	8,046
Cash and cash equivalents	**5,066**	4,431
Total current assets	**16,320**	16,467
Total assets	**21,274**	21,830
Current liabilities		
Trade and other payables	**3,489**	4,080
Provisions	**240**	240
Total current liabilities	**3,729**	4,320
Non-current liabilities		
Provisions	**25**	25
Total non-current liabilities	**25**	25
Total liabilities	**3,754**	4,345
Net assets	**17,520**	17,485
Equity		
Called up share capital	**76**	74
Share premium account	**1,603**	1,482
Other reserve	**5,146**	5,146
Translation reserve	**(29)**	(23)
Profit and loss account	**10,724**	10,806
Total equity attributable to equity holders of the parent	**17,520**	17,485

These financial statements were approved by the Board of Directors on 20 September 2011 and were signed on its behalf by:

Oliver Vellacott
Director

Marcus Kneen
Director

Consolidated statement of cash flows

For the year ended 31 July 2011

£'000	**Group 2011**	Group 2010
Cash flows from operating activities		
Profit/(loss) for the year	**625**	1,970
Adjusted for:		
Depreciation and amortisation	**305**	277
Financial income	**(21)**	(11)
Share based payment expense	**189**	197
Foreign exchange loss/(gain)	**45**	(122)
Income tax	**588**	1,095
Increase in inventories	**(207)**	(1,081)
(Increase)/Decrease in trade and other receivables	**989**	(1,904)
Increase/(Decrease) in trade and other payables	**(591)**	1,045
Increase in provisions	**-**	60
Cash generated from/(absorbed by) operations	**1,922**	1,526
Income taxes refunded/(paid)	**1**	(5)
Net cash inflow/(outflow) from operating activities	**1,923**	1,521
Cash flows from investing activities		
Interest received	**21**	11
Acquisition of property, plant and equipment	**(386)**	(404)
Acquisition of intangibles	**(94)**	(12)
Net cash (outflow)/inflow from investing activities	**(459)**	(405)
Cash flows from financing activities		
Proceeds from the issue of share capital	**123**	116
Repurchase of own shares	**(11)**	(74)
Dividends paid	**(856)**	(368)
Net cash (outflow)/inflow from financing activities	**(744)**	(326)
Net increase in cash and cash equivalents	**720**	790
Cash and cash equivalents at 1 August	**4,431**	3,551
Effect of exchange rate fluctuations on cash held	**(85)**	90
Cash and cash equivalents at 31 July	**5,066**	4,431

Notes to the consolidated financial statements

1. Principal Activity

The principal activity of the Group continues to be the design, development, manufacture and sale of software and hardware products. These products provide CCTV and alarm integrators with a complete enterprise class Security Management System that allows full motion real time video to be transmitted worldwide, in real-time, with digital quality and security, using local or wide area networks, wireless links or the Internet.

2. Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The accounting policies used in preparing the preliminary financial statements are set out in note 1 of the IndigoVision Group plc Directors' report and consolidated financial statements 2011.

3. Annual accounts

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 July 2011 or 2010 but is derived from those accounts. The statutory accounts of IndigoVision Group plc for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under section 498 (2) or (3) under Companies Act 2006.

4. Income Tax

Recognised in the income statement

	2011 £000	2010 £000
Current tax expense		
UK tax	**2**	-
Overseas tax	**15**	5
	17	5
Deferred tax expense		
Origination and reversal of temporary differences	**635**	1,000
Adjustments relating to prior year trading losses	**(64)**	90
	571	1,090
Total income tax charge in income statement	**588**	1,095

5. Profit per share

	2011 £000	2010 £000
Profit for the year attributable to equity shareholders (basic and diluted)	**625**	1,970
	Pence	**Pence**
Basic earnings per share	**8.4**	26.8
Diluted earnings per share	**8.2**	25.6

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for each year were calculated as follows:

	2011 No of shares	2010 No of shares
Issued ordinary shares at start of year	**7,371,776**	7,321,676
Effect of weighted average of shares issued during the year from exercise of employee share options	**123,682**	38,645
Effect of purchase of own shares	**(20,815)**	(110)
Weighted average number of ordinary shares for the year – for basic earnings per share	**7,474,643**	7,360,211
Effect of share options in issue	**174,380**	344,500
Weighted average number of ordinary shares for the year – for diluted earnings per share	**7,649,023**	7,704,711

Basic earnings per share
The calculation of basic earnings per share for the year ending 31 July 2011 was based on the profit attributable to equity shareholders of £625,000 (2010: £1,970,000) and a weighted average number of ordinary shares during the year ending 31 July 2011 of 7,474,643 (2010: 7,360,211), calculated as shown above.

Diluted earnings per share
The calculation of diluted earnings per share for the year ending 31 July 2011 was based on the profit attributable to equity shareholders of £625,000 (2010: £1,970,000) and a weighted average number of ordinary shares during the year ending 31 July 2011 of 7,649,023 (2010: 7,704,711), calculated as shown above.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

6. Reconciliation of movement in capital and reserves

Group	Share capital £000	Share premium £000	Other reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2009	73	1,367	5,146	17	9,081	15,684
Profit for the year	-	-	-	(40)	1,970	1,930
Share options exercised by employees	1	115	-	-	-	116
Equity-settled transactions, including deferred tax effect	-	-	-	-	197	197
Purchase of own shares					(74)	(74)
Dividends paid to equity holders	-	-	-	-	(368)	(368)
Balance at 31 July 2010	**74**	**1,482**	**5,146**	**(23)**	**10,806**	**17,485**
Balance at 1 August 2010	74	1,482	5,146	(23)	10,806	17,485
Profit for the year	-	-	-	(6)	625	619
Share options exercised by employees	2	121	-	-	-	123
Equity-settled transactions, including deferred tax effect	-	-	-	-	160	160
Purchase of own shares	-	-	-	-	(11)	(11)
Dividends paid to equity holders	-	-	-	-	(856)	(856)
Balance at 31 July 2011	**76**	**1,603**	**5,146**	**(29)**	**10,724**	**17,520**

Secretary and advisors

Secretary and Registered Office	The Company Secretary Charles Darwin House The Edinburgh Technopole Edinburgh EH26 0PY
Nominated Advisor and Stock Brokers	Brewin Dolphin Ltd 48 St Vincent Street Glasgow G2 5TS
Auditors	KPMG Audit plc Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
Solicitors	Shepherd & Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Bankers	Royal Bank of Scotland plc 36 St Andrews Square Edinburgh EH2 2YB
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE