IndigoVision Group plc
Final results for year ended 31 July 2012

Financial Highlights

- Annual revenues up 5% to £30.3m
- Second half revenues up 14% to £15.8m
- Operating profit before exceptional items up 123% to £2.66m
- Adjusted Diluted earnings per share tripled 25.0 pence per share
- Final dividend 5.0 pence per share making 10.0 pence for the year, up 33%
- Proposed special dividend of 70.0 pence per share

Operating Highlights

- 14 new camera variants released
- Camera Gateway™ software launched, providing a truly open system
- 3 year product and technology roadmaps developed
- All sales regions achieved higher operating contributions
- Management changes implemented

Hamish Grossart, Chairman, said:

“These are excellent results from a business with the potential to be much larger. Extensive changes to the business, both completed and planned for the current year, are designed to position it for future growth.

Double digit growth in sales and order intake has continued into the first seven weeks of the current year. At this early stage there is every reason to believe that the current year will be a good one.”

Notes to Editors

About IndigoVision

IndigoVision is a leading manufacturer of end-to-end IP security management solutions for airports, ports, rail, traffic, cities, retail, banking, mining, education, casinos, police, prisons and government. These enterprise-class systems improve organizations' operational efficiency, enhance public safety and enable timely emergency response.

IndigoVision provides support from fifteen regional centres including New Jersey, Sao Paulo, Bogotá, Singapore, Mumbai, Dubai, London and Edinburgh, each with demonstration capabilities and training services. With sales and support staff in 30 countries, IndigoVision partners with some 500 authorised system integrators to provide local system design, installation and service to end users all over the world.

Shareholder calendar

10 October 2012	Directors' report and consolidated financial statements circulated
8 November 2012	Annual General Meeting
30 November 2012	Dividend paid
7 March 2013	2013 Interim results announced
26 September 2013	2013 Full year results announced

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Chairman's statement

The year to 31 July 2012 saw a return to sales growth during the second half; a strong recovery in gross margins; a doubling of pre-tax profits; and extensive changes made to management and the business designed to position IndigoVision for future growth.

There has been a promising start to trading in the current year, and surplus cash balances remain healthy. Consequently, the board is proposing a special dividend of 70.0 pence per share in addition to a proposed final dividend of 5.0 pence per share.

Results

After exceptional items of £0.3m provided in the first half, pre-tax profits for the full year doubled to £2.39m.

Revenue for the year to 31 July 2012 was £30.3m, 5% higher than last year (2011: £28.9m). This rise was driven by strong growth in Latin America and a modest improvement in North America, offset by a small drop in Asia Pacific and by a decline in Europe, Middle East and Africa. Group sales growth in the second half was a healthy 14%, more than offsetting a 4% decline in the first half.

Gross margin was 59%, a strong recovery from last year. Overheads (before exceptional items) rose 2% to £15.2m (2011: £14.9m). Within this, selling and distribution expenses were 2% lower, administration expenses 3% higher and research and development costs up by 12%.

Operating profit before exceptional items rose 123% to £2.66m (2011: £1.19m) as a result of sales growth and better gross margins. Operating margins, before exceptional items, recovered strongly from 4.1% to 8.8%. Adjusted diluted earnings per share were 25.0 pence, up from 8.2 pence in the prior year.

Cash balances at the year-end were £6.00m (2011: £5.07m) and the Group had no borrowings. These cash balances together with unutilised bank facilities provide IndigoVision with strong liquidity.

Dividends

The board is recommending a final dividend of 5.0 pence per share which, when added to the interim dividend of 5.0 pence per share already paid, would result in annual dividends of 10.0 pence per share, 33% higher than the previous year's total. The final dividend, if approved, will be payable on 30 November 2012 to shareholders on the register on 2 November 2012.

In view of IndigoVision's healthy cash position, the board is also recommending a special dividend of 70.0 pence per share, which, if approved, would be paid at the same time as the final dividend to shareholders on the register on 2 November 2012.

Regional Performance

Despite marked regional variations in year on year sales performances, all regions achieved an increase in their operating contribution to the Group.

Sales growth was exceptionally strong in Latin America, up 56% to £6.06m (2011: £3.89m), continuing the rapid growth of recent years. This growth was accompanied by an improvement in gross margin, and the contribution from the region more than doubled notwithstanding additional spend on sales resource, technical and service capability, and increased local warehousing. This region has strong leadership and excellent tactical market plans.

In North America, sales improved 5% to £8.11m (2011: £7.72m). Within North America, sales in Canada grew by 21%, but this growth was partially offset by a 5% fall in USA sales. Margins remained sound and regional costs were well controlled resulting in a 10% improvement in regional contribution. IndigoVision has not reached its potential in the USA for a considerable period. Accordingly, structural and management changes were made during the year and investment in a new team continues. A new head of partner support for North America has been appointed who will be key to implementing customer service improvements. Resolution of past product quality and end user site performance issues have resulted in a dramatic improvement in confidence within the North America team, partners and end users, and although more remains to be done, there is now a solid base for future development. The Chief Executive is taking a pivotal role in rebuilding IndigoVision's North American business and together with the executive team is fully committed to improving the region's performance.

Asia Pacific sales reduced 1% to £5.21m (2011: £5.28m). This slight reduction was more than offset by an improvement in gross margin and a modest improvement in regional contribution was achieved. Performance within the region was mixed. Management changes have been made in India and a more structured market approach in both India and China implemented. APAC secured its first casino wins in Cambodia and Australia and continues to develop its expertise and business in the police, prisons, cities and oil and gas markets.

Sales in Europe, Middle East and Africa were down 9% to £10.9m (2011: £12.0m). An improvement in gross margin and lower regional costs nevertheless resulted in a stronger contribution overall. Performance within the region was mixed with growth returning to the Middle East and Africa, stable sales in Europe and a significant fall in the UK. EMEA is IndigoVision's largest operating region and has under-performed in recent years. A new regional sales director for EMEA was appointed in March, through an internal promotion. This together with changes implemented in the Middle East, has already led to improved sales performance. Plans are being implemented to improve UK performance with a view to growth.

Products and Technology

There have been a number of significant changes made during the year designed to improve market orientation of products, eradicate historic quality problems, and position IndigoVision for future growth.

Critically, the management team has now put in place clear 3 year roadmaps for hardware, software and technology, which are reviewed quarterly to ensure they remain in line with market demand, respond to industry advances as they occur, and deliver commercially successful products. Closer relationships with key component suppliers are being developed with the aim of being able to design in technology advances as they become available, and return on investment assessments of each development project are now standard. Work remains to be done to return the Group to the forefront of its market, but IndigoVision is determined to achieve an industry leading position in technology, quality and customer service and will continue to improve systems and processes to achieve this.

The camera range has been extended significantly. Previously the range was missing key lower price point models, now rectified with the release of 7 new cameras designed for this area of the market. Development of the Group's core premium camera models has also been accelerated with the release of a further 7 new and improved variants in both SD and HD. This increased momentum is expected to continue, with a further 14 new models scheduled for release in the current financial year. In addition, the Camera Gateway™ software has been launched, enabling other manufacturer's IP cameras to be connected to IndigoVision's SMS4™ security management software, thus enabling sites with existing IP cameras to transfer easily and economically to an IndigoVision solution. This, together with the ONVIF conformant SMS4™ and continued development of integration modules provides end users with a truly open system, giving complete flexibility when selecting the components of their security solution.

IndigoVision's core technology has been its transmitter and receiver range. This product range delivers industry leading compression and has commanded a price premium since launch. However, increased price competition is being experienced and IndigoVision is responding to this with the launch of lower price per video channel products which retain existing exceptional quality, with a view to maintaining market share in this traditionally strong area.

IndigoVision has a strong reputation for its software. To develop this position further, a structured software release schedule has been set, agile planning tools implemented, and a roadmap developed with greater vertical market focus. The engineering team successfully delivered 3 upgrades to SMS4™ as well as the Mobile Center application during the last financial year, and this increased pace of new feature development is set to continue.

The product quality issues of recent years have been largely resolved. Partners have noted the improvements, and the positive impact these improvements are having on sales team confidence, support team efficiency, and engineering productivity are now evident. The resolution of these issues has been the focus of management attention and the tighter controls now in place as part of this process, from design through to manufacturing output, should materially benefit IndigoVision in future years.

Markets

The IMS "World CCTV and Video Surveillance Market 2011" report forecasts growth in the world-wide digital surveillance market of some 20% per annum for the next five years. Market forecasts have indicated similar strong growth for the past several years.

IndigoVision's marketing has not been sufficiently strong in recent years, and the effect of this on performance has been exacerbated by emerging, marketing-focused competitors targeting the mid-market. To address this, the Group will be focusing efforts on a defined range of global vertical segments of the market. The engineering and product management teams are developing tailored solutions for these industry segments and the marketing team is being expanded to facilitate a vertical market campaign. IndigoVision already has strategic reference projects, strong end-user relationships and a good understanding of the needs of these industries which should allow it to build a stronger brand and access further sales opportunities. A strategy for each segment is currently being developed and product road maps will be closely aligned to market requirements.

Board and Management Changes

During the year Marcus Kneen replaced Oliver Vellacott as Chief Executive and Holly McComb was appointed Finance Director. The costs arising from these changes and from corporate activity shortly thereafter amounted to £0.3m and were provided as an exceptional item in the first half.

The Group remains committed to growth across all operating regions, and has made further management changes throughout the business to ensure a stronger platform.

Outlook

As is perhaps clear from the extent of changes to management, operations and products, there was much that needed adjusting to reposition IndigoVision simply to be able to develop at the same rapid pace as its chosen markets. A tremendous amount has already been achieved under Marcus Kneen's energetic and effective leadership. Although change is not always easy, there is now a visible spring in the step of management worldwide as they see improvements being made which should unlock IndigoVision's potential.

A good start has been made in the current year. Double digit sales growth has continued into the first seven weeks of the current year, and the rate of order intake is equally encouraging. Over the next 18 months, management is clearly focused on achieving growth rates at least equal to those of the markets in which IndigoVision operates. Whilst forward visibility of future sales remains relatively short, at this early stage there is every reason to believe that the current year will be a good one.

Hamish Grossart
Chairman
26 September 2012

Consolidated income statement

For the year ended 31 July 2012

£'000	**2012** Before exceptional items	**2012** Exceptional items	**2012** Total	2011 Total
Revenue	30,266	-	**30,266**	28,886
Cost of sales	(12,410)	-	**(12,410)**	(12,747)
Gross profit	17,856	-	**17,856**	16,139
Research and development expenses	(3,373)	-	**(3,373)**	(3,001)
Selling and distribution expenses	(9,272)	-	**(9,272)**	(9,481)
Administrative expenses	(2,550)	(299)	**(2,849)**	(2,465)
Operating profit	2,661	(299)	**2,362**	1,192
Financial income	24	-	**24**	21
Profit before tax	2,685	(299)	**2,386**	1,213
Income tax expense	(780)	60	**(720)**	(588)
Profit for the year attributable to equity holders of the parent	1,905	(239)	**1,666**	625
Foreign exchange translation differences on foreign operations	-	-	**-**	(6)
Total comprehensive income for the year attributable to equity holders of the parent	1,905	(239)	**1,666**	619
Basic earnings per share (pence)			**22.2**	8.4
Diluted earnings per share (pence)			**21.9**	8.2

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

Consolidated balance sheet

As at 31 July 2012

£'000	**2012**	2011
Non-current assets		
Property, plant and equipment	**533**	583
Intangible assets	**134**	93
Deferred tax	**3,571**	4,278
Total non-current assets	**4,238**	4,954
Current assets		
Inventories	**4,955**	4,197
Trade and other receivables	**7,937**	7,057
Cash and cash equivalents	**5,996**	5,066
Total current assets	**18,888**	16,320
Total assets	**23,126**	21,274
Current liabilities		
Trade and other payables	**4,718**	3,489
Provisions	**75**	240
Total current liabilities	**4,793**	3,729
Non-current liabilities		
Provisions	**25**	25
Total non-current liabilities	**25**	25
Total liabilities	**4,818**	3,754
Net assets	**18,308**	17,520
Equity		
Called up share capital	**76**	76
Share premium account	**1,611**	1,603
Other reserve	**5,146**	5,146
Translation reserve	**(29)**	(29)
Profit and loss account	**11,504**	10,724
Total equity attributable to equity holders of the parent	**18,308**	17,520

These financial statements were approved by the Board of Directors on 26 September 2012 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Consolidated statement of cash flows

For the year ended 31 July 2012

£'000	Group **2012**	2011
Cash flows from operating activities		
Profit for the year	**1,666**	625
Adjusted for:		
Depreciation and amortisation	**356**	305
Financial income	**(24)**	(21)
Share based payment (credit)/ expense	**(38)**	189
Foreign exchange (gain)/ loss	**(135)**	45
Income tax	**720**	588
Increase in inventories	**(758)**	(207)
(Increase)/Decrease in trade and other receivables	**(880)**	989
Increase/(Decrease) in trade and other payables	**1,229**	(591)
Decrease in provisions	**(165)**	-
Cash generated from operations	**1,971**	1,922
Income taxes (paid)/ refunded	**(5)**	1
Net cash inflow from operating activities	**1,966**	1,923
Cash flows from investing activities		
Interest received	**24**	21
Acquisition of property, plant and equipment	**(253)**	(386)
Acquisition of intangibles	**(93)**	(94)
Net cash outflow from investing activities	**(322)**	(459)
Cash flows from financing activities		
Proceeds from the issue of share capital	**8**	123
Repurchase of own shares	**(176)**	(11)
Dividends paid	**(639)**	(856)
Net cash outflow from financing activities	**(807)**	(744)
Net increase in cash and cash equivalents	**837**	720
Cash and cash equivalents at 1 August	**5,066**	4,431
Effect of exchange rate fluctuations on cash held	**93**	(85)
Cash and cash equivalents at 31 July	**5,996**	5,066

Group statement of changes in equity
As at 31 July 2012

Group	Share capital £000	Share premium £000	Other reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
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**
Balance at 1 August 2011	76	1,603	5,146	(29)	10,724	17,520
Profit for the year	-	-	-	-	1,666	1,666
Share options exercised by employees	-	8	-	-	-	8
Equity-settled transactions, including deferred tax effect	-	-	-	-	(71)	(71)
Purchase of own shares	-	-	-	-	(176)	(176)
Dividends paid to equity holders	-	-	-	-	(639)	(639)
Balance at 31 July 2012	**76**	**1,611**	**5,146**	**(29)**	**11,504**	**18,308**

Notes to the consolidated financial statements

1. Principal Activities

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 2012.

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 2012 or 2011 but is derived from those accounts. The statutory accounts of IndigoVision Group plc for 2011 have been delivered to the Registrar of Companies and those for 2012 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 expense

Recognised in the income statement

	2012	2011
	£000	£000
Current tax expense		
UK tax	**2**	2
Overseas tax	**13**	15
Overseas tax – prior year adjustment	**(2)**	-
	13	17
Deferred tax expense		
Origination and reversal of temporary differences	**365**	635
Reduction in tax rate	**342**	-
Adjustments relating to prior year trading losses	**-**	(64)
	707	571
Total income tax charge in income statement	**720**	588

5. Earnings per share

	2012	2011
Earnings per Share	**£000**	£000
Profit for the year attributable to equity shareholders (basic and diluted) after exceptional items	**1,666**	625
	Pence	Pence
Basic earnings per share	**22.2**	8.4
Diluted earnings per share	**21.9**	8.2

Adjusted Earnings per Share	**2012** **£000**	2011 £000
Profit for the year attributable to equity shareholders (basic and diluted) before exceptional items	**1,905**	625
	Pence	Pence
Adjusted Basic earnings per share	**25.4**	8.4
Adjusted Diluted earnings per share	**25.0**	8.2

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:

	2012 **No of shares**	2011 No of shares
Issued ordinary shares at start of year	**7,541,896**	7,371,776
Effect of weighted average of shares issued during the year from exercise of employee share options	**966**	123,682
Effect of purchase of own shares	**(35,663)**	(20,815)
Weighted average number of ordinary shares for the year – for basic earnings per share	**7,507,199**	7,474,643
Effect of share options in issue	**109,000**	174,380
Weighted average number of ordinary shares for the year – for diluted earnings per share	**7,616,199**	7,649,023

Basic earnings per share

The calculation of basic earnings per share for the year ending 31 July 2012 was based on the profit attributable to equity shareholders of £1,666,000 (2011: £625,000) and a weighted average number of ordinary shares during the year ending 31 July 2012 of 7,507,199 (2011: 7,474,643), calculated as shown above.

Diluted earnings per share

The calculation of diluted earnings per share for the year ending 31 July 2012 was based on the profit attributable to equity shareholders of £1,666,000 (2011: £625,000) and a weighted average number of ordinary shares during the year ending 31 July 2012 of 7,616,199 (2011: 7,649,023), calculated as shown above.

Adjusted Basic and Diluted earnings per share

The calculation of adjusted earnings per share for the year ending 31 July 2012 was based on the profit attributable to equity shareholders of £1,905,000 before deduction of exceptional items (2011: £625,000). This has been presented in order to highlight the underlying performance of the group.

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.

Secretary and advisors

Secretary and Registered Office	The Company Secretary Charles Darwin House The Edinburgh Technopole Edinburgh EH26 0PY
Nominated Advisor and Stock Brokers	N+1 Brewin 48 St Vincent Street Glasgow G2 5TS
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Solicitors	Shepherd & Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
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