IndigoVision Group plc ("IndigoVision" or "The Group")

Final results for the 12 month period ended 31 December 2015

IndigoVision (AIM: IND.L), a designer and manufacturer of intelligent networked video security systems for government, critical infrastructure, transport, city monitoring and casinos, announces its results for the 12 month period to 31 December 2015.

Key Points

Financial

Due to the change in year end in 2014, resulting in a 17 month comparative period, unaudited pro forma 12 month comparative financial results are shown in the Chairman's statement. In line with accounting standards, the key financial points below state 12 months for 2015 and 17 months for the 2014 comparative.

- Revenue $47.1m [2014 17 months: $82.5m]
- Operating loss $0.74m [2014 17 months operating profit: $4.27m]
- 2015 first half operating loss $1.26m
- 2015 second half operating profit $0.52m
- Diluted loss per share 6.5 cents [2014 17 months earnings per share: 60.5 cents]
- Final dividend 2.5 pence [2014 17 months: 17.0 pence]

Comparison with unaudited pro forma 12 month financial results:
- Revenue $47.1m, down 23%
- Operating loss $0.74m [2014 12 months pro forma operating profit $4.13m]

Operational

- Management action returned the business to profitability in the second half of 2015:
    - New sales leadership in the Americas, EMEA and Asia Pacific
    - Overheads reduced in line with lower levels of activity
- Large project wins:
    - Safe city projects in Colombia, Peru, UK, Saudi Arabia and South Africa
    - Government projects in Saudi Arabia and Australia
    - Bank projects in Egypt and Canada
    - Utilities projects in UK and Canada
    - Casinos projects in USA
- Product range adjusted to compete in a lower cost market

Marcus Kneen, Chief Executive, commented

"2015 was a difficult year overall but action was taken during the first half when it became clear that markets were soft and pricing more competitive. As a result, IndigoVision returned to profit in the second half. Management in the regions has been strengthened; product strategy has been adjusted to reflect changed market conditions and we have had a better start to 2016. We therefore currently expect that 2016 will see improvements over last year."

Notes to editors

About IndigoVision

IndigoVision designs and manufactures high performance, intelligent video security systems for large scale and complex security installations. From video capture and transmission to analysis and storage, IndigoVision networked video security systems provide the best quality and most secure video evidence, and use market leading compression technology to minimise network bandwidth usage and reduce storage costs.

IndigoVision's technology is ideally suited for use in mission critical facilities such as government, oil and gas, transport, cities, industry, education, police, prisons and casinos to improve public safety, protect assets, develop organisations' operational efficiency and support law enforcement.

IndigoVision has sales and support teams in 23 countries and operates through 17 regional centres, in Edinburgh, London, Paris, Amsterdam, Dusseldorf, Dubai, Mumbai, Singapore, Macau, Shanghai, Sydney, Mexico City, Toronto, Bogotá, New Jersey, Buenos Aires and Sao Paulo. IndigoVision partners with a network of some 600 trained and authorised IndigoVision resellers to provide local system design, installation and servicing to IndigoVision's system users.

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Shareholder information

Our website can be accessed at www.indigovision.com and contains substantial information about our business. The website also carries copies of prior year accounts and stock exchange announcements.

Shareholder calendar

19 May 2016	Annual General Meeting
26 May 2016	Dividend paid
15 September 2016	Interim results for the 6 months ending 30 June 2016

Chairman's Statement

2015 was a difficult year overall for IndigoVision. Results improved as the year progressed - second half sales were 8% higher than the first half - and second half operating profits were $0.52m, compared with an operating loss of $1.26m in the first half. However, the year as a whole was loss making.

During the first half, a series of actions were implemented designed to restore growth and profitability and these have shown some early signs of success in the second half results, although further improvement is still required. Progress to date has encouraged the board to recommend to shareholders a return to paying dividends after the interim was passed, and a final dividend of 2.5 pence per share is proposed.

Financial results

Revenue for the year ended 31 December 2015 was $47.1m [2014 17 months: $82.5m].

Regionally, EMEA is the Group's largest region with sales of $19.5m [2014 17 months: $28.6m]. The UK market performed well, particularly in the police and utilities sectors. Sales declined both in the Middle East following project delays, and in mainland Europe. The regional sales team has been strengthened and restructured. The strengthening US dollar also resulted in a reduction in the value of Euro and Sterling local currency sales.

North America reported sales of $13.9m [2014 17 months: $23.8m]. Sales declined in Canada due to reduced activity in the oil shale market and adverse currency movements on Canadian dollar sales. Sales also declined in the USA, however, the West Coast casino sector continued to perform well. USA management has been changed and strengthened, warehousing outsourced, and the office relocated.

Sales in Latin America were $8.8m [2014 17 months $15.7m]. The region showed early signs of recovery as the year progressed, with a number of new city surveillance project wins in Colombia.

Asia Pacific had a particularly challenging year with sales of $5.0m [2014 17 months: $14.9m], following a record performance in the prior period from large projects not replicated in the current year, and a decline in Australia resulting from lower activity in the mining sector and increased competition from low cost Chinese manufacturers. Local management has also been changed and strengthened.

Gross margins were 51.4% [2014 17 months: 57.9%]. The lower margin reflected the downward trend in market pricing and the decline in sales of the encoder and mid-market camera ranges, as well as differences in project mix between the periods.

Overheads were reduced to $25.0m [2014 17 months: $42.9m] to reflect the reduced activity. The operating loss for the year was $0.74m [2014 17 months profit: $4.27m].

The Group continues to benefit from research and development tax credits, which together with the loss before tax, resulted in a net income tax credit of $0.27m [2014 17 months credit: $0.28m]. Loss after tax was $0.48m [2014 17 months profit after tax: $4.54m].

Year end cash balances were a healthy $2.76m [2014: $2.56m], the increase due to better working capital management. The Group has no borrowings, and has available bank facilities of $4.0m, none of which were in use at 31 December 2015.

Pro forma results

Due to the change in year end in 2014 resulting in unequal reporting periods, we present below unaudited pro forma 2014 results prepared from internal management accounts for the calendar year, to assist in understanding the Group's financial performance:

	12 months ended 31 December 2015 $000	12 months ended 31 December 2014 (pro forma unaudited) $000	% change
Revenue	47,093	61,255	(23%)
Operating costs	(25,019)	(31,292)	(20%)
Operating (loss)/ profit	(743)	4,126	

Markets

The fall in the price of oil and other commodities throughout 2015 affected both customer confidence and economic strength in countries with commodity based economies, impacting adversely sales in Brazil, Canada, Australia, Malaysia, and the Middle East – all previously robust markets for IndigoVision. Market prices also came under pressure as large Chinese manufacturers competed effectively on price, exporting to enterprise markets outside China. These factors together resulted in erosion of sales and pressure on gross margins.

Changes were made to management personnel during 2015 in key markets, and to the product development programme, in response to the changes in market conditions. Engineering spend on hardware development has been reduced and the savings redeployed to software development, and to sales and marketing in certain target regions.

Products

IndigoVision's product strategy continues to be the design and sale of a complete end-to-end video security solution, inclusive of video management software, cameras, encoders, storage devices and integration to security and operational systems. There are fewer competitors that provide a full end-to-end solution, and buyers value the system reliability produced by designing the complete solution, as well as the ease of one-stop sourcing.

During 2015, the Group reduced prices across the product range in line with changed market conditions, and broadened its camera offering with the launch of a new low cost camera range.

Control Center, IndigoVision's video management software was upgraded to become the first video security system to integrate body worn video. By connecting FrontLine, IndigoVision's body worn cameras, also launched in 2015, Control Center can provide visibility and analysis of video from traditional mounted cameras, and body worn cameras. Control Center was also developed to include live geographic maps, improving operational response time and making system administration quicker and easier.

Sales of storage continued to increase as a percentage of the total system sale as users opt to keep video for longer periods for security and operational needs. The range of storage products was expanded with the introduction of large capacity Linux devices, to supplement existing windows-based models, and compact Linux network video recorders.

Dividends

The board considers that the discipline of paying dividends to shareholders is positive for the business and its planning. However, it is board policy to relate dividends to earnings and for that reason, no interim dividend was paid in respect of the six months to 30 June 2015, which was loss making.

In view of the return to operating profitability in the second half, and the improved cash balances, the board is recommending a final dividend of 2.5 pence per share. The cost of this dividend is comfortably covered by second half earnings. The final dividend, if approved, will be paid on 26 May 2016 to shareholders on the register on 22 April 2016.

Current trading and outlook

The return to profit in the second half of last year was encouraging, and steps have been successfully implemented to adapt to current conditions.

The start of 2016 has been better than last year, although as the corresponding period last year was particularly subdued, this should be seen in context. Sales are marginally ahead, operating performance efficiencies continue to be realised, and the order book is up. The board therefore currently expects that 2016 will see improvements over last year.

Hamish Grossart

Chairman

2 March 2016

Consolidated statement of comprehensive income

$'000	**12 months ended 31 December 2015**	17 months ended 31 December 2014
Revenue	**47,093**	82,460
Cost of sales	**(22,881)**	(34,719)
Gross profit	**24,212**	47,741
Research and development expenses	**(4,399)**	(8,056)
Selling and distribution expenses	**(15,834)**	(27,853)
Administrative expenses	**(4,786)**	(6,975)
Foreign exchange gain/(loss)	**64**	(586)
Operating (loss)/profit	**(743)**	4,271
Financial expense	**(10)**	(5)
(Loss)/profit before tax	**(753)**	4,266
Income tax credit	**269**	277
(Loss)/profit for the period attributable to equity holders of the parent	**(484)**	4,543
Other comprehensive income		
Foreign exchange translation differences on foreign operations	**(509)**	1,253
Total comprehensive (loss)/income for the year attributable to equity holders of the parent	**(993)**	5,796
Basic (loss)/earnings per share (cents)	**(6.5)**	60.7
Diluted (loss)/earnings per share (cents)	**(6.5)**	60.5

Consolidated balance sheet

$'000	**31 December 2015**	31 December 2014
Non-current assets		
Property, plant and equipment	**1,443**	1,702
Intangible assets	**72**	103
Deferred tax	**4,852**	5,337
Total non-current assets	**6,367**	7,142
Current assets		
Inventories	**9,494**	10,396
Trade and other receivables	**12,575**	17,680
Cash and cash equivalents	**2,763**	2,559
Total current assets	**24,832**	30,635
Total assets	**31,199**	37,777
Current liabilities		
Trade and other payables	**7,671**	12,681
Provisions	**137**	137
Total current liabilities	**7,808**	12,818
Non-current liabilities		
Provisions	**45**	45
Total non-current liabilities	**45**	45
Total liabilities	**7,853**	12,863
Net assets	**23,346**	24,914
Equity		
Called up share capital	**120**	119
Share premium account	**2,684**	2,666
Other reserve	**8,080**	8,080
Translation reserve	**169**	678
Profit and loss account	**12,293**	13,371
Total equity attributable to equity holders of the parent	**23,346**	24,914

Consolidated statement of changes in equity

Group	Share capital $000	Share premium $000	Other reserve $000	Translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 August 2013	119	2,587	8,080	(575)	11,288	21,499
Profit for the period	-	-	-	-	4,543	4,543
Difference on translation	-	-	-	1,253	-	1,253
Share options exercised by employees	-	79	-	-		79
Equity-settled transactions, including deferred tax effect	-	-	-	-	184	184
Purchase of own shares	-	-	-	-	(508)	(508)
Dividends paid to equity holders	-	-	-	-	(2,136)	(2,136)
Balance at 31 December 2014	119	2,666	8,080	678	13,371	24,914
Loss for the year	-	-	-	-	(484)	(484)
Difference on translation	-	-	-	(509)	-	(509)
Share options exercised by employees	1	18	-	-	-	19
Equity-settled transactions, including deferred tax effect	-	-	-	-	(21)	(21)
Dividends paid to equity holders	-	-	-	-	(573)	(573)
Balance at 31 December 2015	**120**	**2,684**	**8,080**	**169**	**12,293**	**23,346**

Consolidated statement of cash flows

	12 months ended 31 December 2015	17 months ended 31 December 2014
	$000	$000
Cash flows from operating activities		
(Loss)/profit for the year	**(484)**	4,543
Adjusted for:		
Depreciation and amortisation	**1,124**	1,322
Financial expense	**10**	5
Share based payment expense	**9**	184
Foreign exchange	**267**	1,137
Gain on disposal of property, plant and equipment	**(25)**	-
Income tax credit	**(269)**	(277)
Decrease/(increase) in inventories	**902**	(2,916)
Decrease/(increase) in trade and other receivables	**5,105**	(1,720)
(Decrease)/increase in trade and other payables	**(5,010)**	3,394
Increase/(decrease) in provisions	**-**	(93)
Cash generated from operations	**1,629**	5,579
Income taxes refunded/(paid)	**(15)**	(33)
Net cash inflow from operating activities	**1,614**	5,546
Cash flows from investing activities		
Interest paid	**(10)**	(5)
Acquisition of property, plant and equipment	**(819)**	(1,554)
Acquisition of intangibles	**(15)**	(117)
Net cash outflow from investing activities	**(844)**	(1,676)
Cash flows from financing activities		
Proceeds from the issue of share capital	**19**	79
Repurchase of own shares	**-**	(508)
Dividends paid	**(573)**	(2,136)
Net cash outflow from financing activities	**(554)**	(2,565)
Net increase in cash and cash equivalents	**216**	1,305
Cash and cash equivalents at 31 December 2014 and 31 July 2013	**2,559**	1,284
Effect of exchange rate fluctuations on cash held	**(12)**	(30)
Cash and cash equivalents at 31 December	**2,763**	2,559

Notes to the accounts:

1. Principal activities

The principal activity of the Group continues to be the design, development, manufacture and sale of networked video security systems. Cameras, encoders, network video recorders and software are designed both internally and with technology partners and manufactured in Asia and Europe. The Group's end to end IP video security systems allow full motion video to be transmitted worldwide, in real time, with digital quality and security, over local or wide area networks, wireless links or the internet, using market leading compression technology to minimize usage of network bandwidth.

2. Basis of preparation and accounting policies

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

The accounting policies used in preparing the financial statements are set out in note 1 of the IndigoVision Group plc Annual Report 2015.

3. Annual accounts

The financial information set out in this announcement does not constitute the Group's statutory accounts for the 12 months ended 31 December 2015 but is derived from those accounts. The statutory accounts of IndigoVision Group plc for 2014 have been delivered to the Registrar of Companies and those for 2015 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) of the Companies Act 2006

4. Taxation

	12 months ended 31 December 2015 $000	17 months ended 31 December 2014 $000
Current tax (credit)/expense		
UK tax	**(526)**	-
UK tax – prior period adjustment	**(246)**	-
Overseas tax	**13**	108
Overseas tax – prior period adjustment	**5**	8
	(754)	116
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**45**	(357)
Reduction in tax rate	**157**	112
Adjustments relating to prior period trading losses	**283**	(148)
	485	(393)
Total income tax credit in income statement	**(269)**	(277)

5. Earnings per share

	12 months ended 31 December 2015 $'000	17 months ended 31 December 2014 $'000
Earnings per share		
(Loss)/profit for the year attributable to equity shareholders (basic and diluted)	**(484)**	4,543

	Cents	Cents
Basic earnings per share	**(6.5)**	60.7
Diluted earnings per share	**(6.5)**	60.5

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:

	2015 number of shares	2014 number of shares
Issued ordinary shares at start of year	**7,604,756**	7,574,548
Effect of weighted average of shares issued during the year from exercise of employee share options	**4,451**	18,190
Effect of purchase of own shares	**(134,238)**	(107,735)
Weighted average number of ordinary shares for the year – for basic earnings per share	**7,474,969**	7,485,003
Effect of share options in issue	**-**	18,129
Weighted average number of ordinary shares for the year – for diluted earnings per share	**7,474,969**	7,503,132