



IndigoVision

**IndigoVision Group plc**  
**First Interim Report 2014**



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## IndigoVision Group plc (“IndigoVision” or “The Group”)

First Interim Results for the six months ending 31 January 2014

**Highlights:** *Growing revenue, profit, earnings, & dividends*

### Financial Highlights

- Revenue up 14% to £18.4m
- Operating profit up 33% to £1.23m
- Earnings per share up 51% to 15.9p
- First interim dividend up 9% to 6.0p

### Operational Highlights

- EMEA, Asia Pacific and the United States each grew sales by 23%
- Continuing strong growth in camera sales up 28%
- Major new project wins included:
  - FIFA 2014 World Cup
  - Sao Paulo International Airport
  - City surveillance in Malaysia
  - Industrial project for a US Fortune 500 Company
  - A major sporting event in Scotland 2014, and
  - Edinburgh Airport
- Product launches included:
  - ONVIF compliant cameras
  - Low cost encoder targeting the mid market
  - 20 megapixel camera targeting the enterprise market
  - ATEX certified camera range for the oil and gas market, and
  - High capacity storage devices for the growing big data market

### **Marcus Kneen, Chief Executive, commented:**

“The positive progress in these results reflects the extensive changes made over the past two years to IndigoVision’s product range. EMEA and the United States achieved their highest rates of growth for many years, and growth continued in Asia Pacific and Latin America. Sales of our camera range were very encouraging and resulted in a strong financial performance. We have had a solid start to the second six months and the rate of order intake remains well ahead of last year.”

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## Notes to Editors

### About IndigoVision

IndigoVision is a leader in the design and manufacture of 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, petrochemicals, 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 14 regional centres, in Edinburgh, London, Paris, Amsterdam, Dusseldorf, Dubai, Mumbai, Singapore, Shanghai, Sydney, Toronto, Bogotá, New Jersey, 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.

### Enquiries to:

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### Shareholder information

Our website can be accessed at [www.indigovision.com](http://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

17 April 2014	First interim dividend paid
4 September 2014	Second interim results for the 12 months ending 31 July 2014
26 February 2015	Annual report and accounts for the 17 months ending 31 December 2014

## Chairman's Statement

In the six months to 31 January 2014, IndigoVision enjoyed strong growth as a direct consequence of the changes made to the business over the previous two years.

In most major markets the rates of sales growth stepped up sharply, driving stronger financial results, and the rate of order intake across the Group was greater than it has been for some time. IndigoVision launched key new products, won a series of high quality projects against stiff competition, and continued to strengthen management and infrastructure globally to facilitate future growth.

### Results

In the six months to 31 January 2014 overall group sales grew 14%, continuing the good start to the period reported at the Annual General Meeting in November. This growth was driven by a most encouraging 28% increase in camera sales, led by products launched in the last two years. Camera sales now account for 54% of total revenue. Storage and other income rose 24% and now accounts for 25% of revenue and, as expected, encoder sales continued to decline, amounting to 21% of revenue.

Regionally, performance was very encouraging. In Europe, Middle East & Africa, sales grew by 23% (17% in local currency). Asia Pacific also grew by 23% (22% in local currency) and Latin America grew by 13% (13% in local currency). Particularly noticeable was the performance in the United States, where sales grew by 23% (23% in local currency), recovering sharply after several years of flat or declining sales. This was offset by lower sales in Canada, which had a very strong first half last year, with the result that North American sales were flat. For the six months as a whole, the regional sales split was as follows:

	£m	%
Europe, Middle East & Africa	5.9	32
Latin America	5.1	28
North America	4.2	23
Asia Pacific	3.2	17
	<u>18.4</u>	<u>100</u>

Gross margin percentage for the six months was 56.4%, broadly in line with the last year's average of 56.7%, and gross profit grew by 19% to £10.4m (2013: £8.73m). Total overheads were 17% higher at £9.15m, primarily reflecting the planned investment in additional sales and support in the regions. Within this, research and development expenditure reduced to £1.68m reflecting the completion of a number of one-off projects; selling and distribution expense rose to £5.76m; and administrative expenses rose to £1.71m primarily as a result of foreign currency translation losses of £0.27m on debtor balances as sterling strengthened during the period (last year translation gains were £0.17m).

Operating profits and pre-tax profits rose by one third to £1.23m and £1.27m respectively. Basic and fully diluted earnings per share rose by 51% to 15.9p.

### Taxation

The Group's actual tax charge was 6% of pre-tax profits and there remains a substantial tax loss (approximately £15.4m) to carry forward. The actual tax charge can therefore be expected to remain modest in the medium term. The low cash cost of taxation means that the Group continues to generate cash surpluses to fund investment in future growth.

### Dividends

During the period cash balances increased to £1.78m and the Group continues to have no borrowings. In view of the excellent operating results and the strong financial position, the Board has authorised a first interim dividend of 6p per share, an increase of 9% over the corresponding interim dividend last year. This dividend will be paid on 17 April 2014 to shareholders on the register on 21 March 2014.

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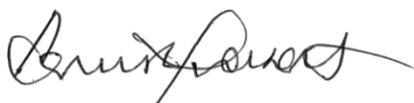
## Markets and Products

The Group continues to concentrate on selected industry segments and this focus is producing results. IndigoVision's technology delivers the high levels of camera and software performance required to manage large and complex security installations, such as city surveillance, oil and gas infrastructure, transport hubs and networks, government facilities, and casinos. Product development designed for these markets continues apace. The Group's powerful video management software is upgraded three times a year, with current development focused on ease of use and managing big data. It is a key aim for IndigoVision to provide the most powerful and most open video security system available globally to allow customers to integrate widely, to choose freely the optimum mix of equipment to match their requirements, and to integrate security and operational data management safely and efficiently.

This strategy has seen increasing success in the enterprise market for larger systems and the Group will continue to target this market as the core of IndigoVision's activities. However, the success of the expanding camera range has highlighted an opportunity in the mid market where the Group's camera products and management systems are now competitively priced. Recent periods have seen rapid growth in camera sales following a comprehensive redesign of the camera range and of individual cameras, and we are now engaged in a similar repositioning of IndigoVision's encoder range, with a view to both capturing the mid market opportunity available and arresting the volume decline in higher end IndigoVision encoders. This has involved reducing prices for certain existing encoder products and we expect a limited but manageable short term adverse effect on encoder sales and gross profit contribution whilst the transition is made.

## Outlook

The Group delivered good growth rates and strong financial results in the first six months. In the previous two years, as IndigoVision re-engineered its business, successes were patchy, but the first interim performance was much more robust and the Group has gained excellent traction in most regions driven by the comprehensively redesigned range of cameras. We have had a solid start to the second six months, the rate of order intake remains well ahead of last year, and our first major casino in Macau has been awarded. There is every reason to believe that the current period will show further good progress for the Group.



HAMISH GROSSART  
Chairman  
5 March 2014

## Consolidated statement of comprehensive income

For the 6 months ended 31 January 2014

£'000	Note	Interim 2014	Interim 2013	Full Year 2013
Revenue		<b>18,395</b>	16,104	31,978
Cost of sales		<b>(8,014)</b>	(7,371)	(13,854)
<b>Gross profit</b>		<b>10,381</b>	8,733	18,124
Research and development expenses		<b>(1,680)</b>	(1,923)	(3,606)
Selling and distribution expenses		<b>(5,757)</b>	(4,593)	(9,879)
Administrative expenses		<b>(1,711)</b>	(1,291)	(2,593)
<b>Operating profit</b>		<b>1,233</b>	926	2,046
<b>Financial income</b>		<b>38</b>	26	37
<b>Profit before tax</b>		<b>1,271</b>	952	2,083
Income tax expense	3	<b>(79)</b>	(162)	(340)
<b>Profit for the period attributable to equity holders of the parent</b>		<b>1,192</b>	790	1,743
Foreign exchange translation differences on foreign operations		<b>(8)</b>	(18)	(28)
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>		<b>1,184</b>	772	1,715
Basic earnings per share (pence)	2	<b>15.9</b>	10.5	23.3
Diluted earnings per share (pence)	2	<b>15.9</b>	10.5	23.1

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

## Consolidated balance sheet

As at 31 January 2014

£'000	Interim 2014	Interim 2013	Full Year 2013
<b>Non-current assets</b>			
Property, plant and equipment	956	612	835
Intangible assets	47	107	81
Deferred tax	3,191	3,409	3,251
<b>Total non-current assets</b>	<b>4,194</b>	4,128	4,167
<b>Current assets</b>			
Inventories	3,735	4,340	4,918
Trade and other receivables	10,805	8,678	10,494
Cash and cash equivalents	1,784	863	844
<b>Total current assets</b>	<b>16,324</b>	13,881	16,256
<b>Total assets</b>	<b>20,518</b>	18,009	20,423
<b>Current liabilities</b>			
Trade and other payables	5,383	4,357	6,106
Provisions	136	75	136
<b>Total current liabilities</b>	<b>5,519</b>	4,432	6,242
<b>Non-current liabilities</b>			
Provisions	45	28	45
<b>Total non-current liabilities</b>	<b>45</b>	28	45
<b>Total liabilities</b>	<b>5,564</b>	4,460	6,287
<b>Net assets</b>	<b>14,954</b>	13,549	14,136
<b>Equity</b>			
Called up share capital	76	76	76
Share premium account	1,695	1,647	1,646
Other reserve	5,146	5,146	5,146
Translation reserve	(65)	(47)	(57)
Profit and loss account	8,102	6,727	7,325
<b>Total equity attributable to equity holders of the parent</b>	<b>14,954</b>	13,549	14,136

## Consolidated statement of changes in equity

£'000	Share Capital	Share Premium	Other Reserve	Translation Reserve	Retained Earnings	Total Equity
<b>Balance at 1 August 2013</b>	76	1,646	5,146	(57)	7,325	14,136
Profit for the period	-	-	-	-	1,192	1,192
Difference on translation	-	-	-	(8)	-	(8)
Share options exercised by employees	-	49	-	-	-	49
Equity-settled transactions including deferred tax effect	-	-	-	-	(2)	(2)
Dividends paid to equity holders	-	-	-	-	(413)	(413)
<b>Balance at 31 January 2014</b>	<b>76</b>	<b>1,695</b>	<b>5,146</b>	<b>(65)</b>	<b>8,102</b>	<b>14,954</b>
Balance at 1 August 2012	76	1,611	5,146	(29)	11,504	18,308
Profit for the period	-	-	-	-	790	790
Difference on translation	-	-	-	(18)	-	(18)
Share options exercised by employees	-	36	-	-	-	36
Equity-settled transactions including deferred tax effect	-	-	-	-	52	52
Dividends paid to equity holders	-	-	-	-	(5,619)	(5,619)
<b>Balance at 31 January 2013</b>	<b>76</b>	<b>1,647</b>	<b>5,146</b>	<b>(47)</b>	<b>6,727</b>	<b>13,549</b>
Balance at 1 August 2012	76	1,611	5,146	(29)	11,504	18,308
Profit for the period	-	-	-	-	1,743	1,743
Difference on translation	-	-	-	(28)	-	(28)
Share options exercised by employees	-	35	-	-	-	35
Equity-settled transactions including deferred tax effect	-	-	-	-	109	109
Dividends paid to equity holders	-	-	-	-	(6,031)	(6,031)
<b>Balance at 31 July 2013</b>	<b>76</b>	<b>1,646</b>	<b>5,146</b>	<b>(57)</b>	<b>7,325</b>	<b>14,136</b>



## Consolidated statement of cash flows

For the 6 months to 31 January 2014

£'000	Interim 2014	Interim 2013	Full Year 2013
<b>Cash flows from operating activities</b>			
Profit for the period	1,192	790	1,743
Adjusted for:			
Depreciation and amortization	238	162	362
Financial income	(38)	(26)	(37)
Share based payment expense	2	52	109
Foreign exchange loss/(gain)	43	19	(46)
Loss on disposal of property, plant and equipment	-	-	3
Income tax expense	79	162	340
Decrease in inventories	1,183	615	37
Increase in trade and other receivables	(311)	(741)	(2,557)
(Decrease)/Increase in trade and other payables	(723)	(361)	1,388
Increase in provisions	-	-	81
<b>Cash generated from operations</b>	<b>1,665</b>	<b>672</b>	<b>1,423</b>
Income taxes paid	(19)	-	(20)
<b>Net cash inflow from operating activities</b>	<b>1,646</b>	<b>672</b>	<b>1,403</b>
<b>Cash flows from investing activities</b>			
Interest received	38	26	37
Acquisition of property, plant and equipment	(324)	(208)	(597)
Acquisition of intangibles	(1)	(6)	(15)
<b>Net cash outflow from investing activities</b>	<b>(287)</b>	<b>(188)</b>	<b>(575)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	49	36	35
Company shares acquired by employee trust	(4)	-	-
Dividends paid	(413)	(5,619)	(6,031)
<b>Net cash outflow from financing activities</b>	<b>(368)</b>	<b>(5,583)</b>	<b>(5,996)</b>
Net increase in cash and cash equivalents	991	(5,099)	(5,168)
Cash and cash equivalents at start of period	844	5,996	5,966
Effect of exchange rate fluctuations on cash held	(51)	(34)	16
<b>Cash and cash equivalents at period end</b>	<b>1,784</b>	<b>863</b>	<b>844</b>

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## Notes to the accounts:

### 1. Basis of preparation and accounting policies

IndigoVision Group plc (“the Company”) is domiciled in Scotland. The consolidated interim financial statements (“the interim report”) of the Company for the six months ended 31 January 2014 comprise the Company and its subsidiaries together referred to as “the Group”. The interim report was approved by the board of directors on 5 March 2014.

The financial information is prepared on a historical cost basis and is presented in Sterling, rounded to the nearest thousand.

These financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group’s published financial statements for the year ended 31 July 2013.

The financial information set out in these interim statements does not constitute the Company’s statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 July 2013, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU, are available on the Company’s website at [www.indigovision.com](http://www.indigovision.com) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The interim financial information for the 6 month period ended 31 January 2014 is unaudited.

## 2. Earnings per share

	<b>Interim 2014 £000</b>	Interim 2013 £000	Full Year 2013 £000
Profit for the period attributable to equity shareholders (basic and diluted)	<b>1,192</b>	790	1,743
	<b>Pence</b>	Pence	Pence
Basic earnings per share	<b>15.9</b>	10.5	23.3
Diluted earnings per share	<b>15.9</b>	10.5	23.1

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:

	<b>Interim 2014 No of shares</b>	Interim 2013 No of shares	Full Year 2013 No of shares
Issued ordinary shares at start of year	<b>7,574,548</b>	7,552,276	7,552,276
Effects of shares issued during the period from exercise of employee share options	<b>3,142</b>	8,134	13,688
Effects of purchase of own shares	<b>(72,238)</b>	(72,238)	(72,238)
Weighted average number of ordinary shares for the period – for basic earnings per share	<b>7,505,452</b>	7,488,172	7,493,726
Effect of share options in issue	<b>8,948</b>	49,000	44,000
Weighted average number of ordinary shares for the period– for diluted earnings per share	<b>7,514,400</b>	7,537,172	7,537,726

## 3. Taxation

The tax charge in the current period represents foreign taxes paid of £0.02m and a £0.06m reduction in the deferred tax asset relating to the utilisation of prior year tax losses to offset the current period taxable profits. Current period taxable profit is reduced by research and development tax relief.

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 31 July 2013 such losses amounted to £15.7m of which £0.30m has been utilised to offset the current period taxable profits. At a corporate tax rate of 20%, this is equivalent to a deferred tax asset in relation to these trading losses of £3.08m, which has been fully recognised in the financial statements.