

A Year of Change and Investment

Final Results

Sales grew by 6% to £32.0m and PBT was 13% lower at £2.1m, which was slightly ahead of our forecast of £2.0m, as reduced following the July update. EPS of 23.1p was 20% ahead of our forecast of 19.2p, reflecting a lower tax rate than anticipated. Net cash at the year end was £0.84m. The full year dividend was 11.0p (final div of 5.5p).

As we have previously discussed, the product mix has been different in FY13. Camera unit volumes increased by 28% to 49% of total revenue (£15.7m), while encoder unit volumes fell by 13% to 27% of group revenue (£8.6m). Gross margins therefore fell to 56.7% (2013: 59.0%) despite improving in H2. Overheads have also risen, as anticipated, due to the investment in the sales and distribution network (headcount up 30% towards the end of the year) and in product development.

The year end has been changed from July to December, see below.

Impact on Earnings & Valuation

IND has announced a change of year end from July to December to bring them into line with partners and peers. This means that our forecast period is now a 17 month period to December 2014. We previously had a 2014 PBT forecast of £3.0m on sales of £36.2m, which we now increase to £4.0m on sales of £54.0m for the extra 5 months. The timing of the expected beneficial impact in 2014 will clearly impact on these forecasts. We expect the main impact to fall in the latter part of 2014; updates will be given as the period progresses.

N+1 Singer View

The Sales function has been significantly strengthened (head count up 30%) and the product range broadened. These changes are expected to impact positively upon results, but not until the latter part of 2014. As we said in July, the outlook remains positive and the structural changes appear to be starting to make an impact, but investors will look for confirmation of progress as FY14 progresses. We look forward to an update at the AGM in November.

Year End Jul.	2012	2013	2014E*
Revenue (£m)	30.3	32.0	54.0
EBITDA (Adj.) (£m)	3.0	2.4	4.5
PBT (Adj.) (£m)	2.7	2.1	4.0
EPS (Adj., FD) (p)	25.0	23.1	40.4
Consensus EPS (p)	-	-	-
DPS (p)	80.0	11.0	14.0
Net Cash/(Debt) (£m)	6.0	0.7	1.9
EV/EBITDA (x)	6.1	9.9	n/a
P/E (x)	12.9	14.0	n/a
Dividend Yield (%)	24.7	3.4	n/a
FCF Yield (%)	6.7	2.9	n/a

Source: N+1 Singer, Company Accounts and FactSet Estimates

* 2012 and 2013 are July year ends; 2014 is a 17 month Period to December 2014.

Jon Lienard, +44 (0) 191 500 8879, Jon.Lienard@N1Singer.com

James Tetley, +44 (0) 191 500 8880, James.Tetley@N1Singer.com

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Analyst Certification Matthew McEachran, Mark Photiades, Tintin Stormont, Johnathan Barrett, Elizabeth Klein, Jo Reedman, Ian Wild, Pia Tapley, Dr Jens Lindqvist, Gurpreet Gujral, Chris Glasper, Sahill Shan, James Tetley, Jon Lienard, Sheena Berry, Andrew Watson, Shamim Mansoor, Oliver Knott

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* The percentage of recommendations published within this rating category within the previous calendar quarter.

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Positive - quality company, strong management, strong fundamentals, focused strategy.

Neutral - ambivalent over the company's strategy, market place, management.

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1 = highly likely downgrade 2 = likely downgrade 3 = neutral 4 = likely upgrade 5 = highly likely upgrade

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History of ratings

Company	Date	Rating	TP	Date	Rating	TP	Date	Rating	TP
African Mining & Exploration	20/03/13		p						
Digital Globe Services	04/04/13	Corporate	p						
Entertainment One	03/10/12	Corporate	p						
IndigoVision Group	03/10/12	Corporate	p						
Instem	30/10/12	Corporate	p						
Liontrust Asset Management	22/05/13	Buy	230p	03/10/12	Corporate	p			
Low & Bonar	06/09/13	Buy	78p	28/03/13	Hold	69p	03/10/12	Buy	69p
Mothercare	18/07/13	Hold	450p	03/06/13	Buy	450p	14/05/13	Buy	400p
	22/02/13	Buy	380p	07/01/13	Buy	390p	14/11/12	Buy	340p
Mothercare	18/10/12	Buy	300p	03/10/12	Buy	290p			
Parity Group	03/10/12	Corporate	p						
SDL	03/10/12	Corporate	p						
Xaar	03/10/12	Corporate	p						

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Nplus1 Singer Capital Markets Limited, One Bartholomew Lane, London, EC2N 2AX
Telephone: +44(0)20 7496 3000 <http://www.n1singer.com/>
Registered in England No.5792780

N+1 Singer Contact List

Research

Gurpreet Gujral	Clean Tech & Renewables	020 7496 3072	gurpreet.gujral@n1singer.com
Sahill Shan	Consumer	020 7496 3180	sahill.shan@n1singer.com
Mark Gibbon (Head of Research)	General	020 7496 3070	mark.gibbon@n1singer.com
Andrew Watson	General Financials	020 7496 3162	andrew.watson@n1singer.com
Matthew McEachran	General Retail	020 7496 3076	matthew.mceachran@n1singer.com
Mark Photiades	General Retail	020 7496 3075	mark.photiades@n1singer.com
Chris Glasper	Healthcare	0191 500 8878	chris.glasper@n1singer.com
Elizabeth Klein	Healthcare	020 7496 3071	elizabeth.klein@n1singer.com
Jon Lienard	Industrials	0191 500 8879	jon.lienard@n1singer.com
Jo Reedman	Industrials	020 7496 3082	jo.reedman@n1singer.com
James Tetley	Industrials	0191 500 8880	james.tetley@n1singer.com
Ian Wild	Investment Funds	020 7496 3073	ian.wild@n1singer.com
Sheena Berry	Life Sciences	020 7496 3078	sheena.berry@n1singer.com
Dr. Jens Lindqvist	Life Sciences	020 7496 3074	jens.lindqvist@n1singer.com
Johnathan Barrett	Media	020 7496 3081	johnathan.barrett@n1singer.com
Shamim Mansoor (Consultant)	Mining	020 7496 3088	shamim.mansoor@n1singer.com
Oliver Knott	Technology	020 7496 3039	oliver.knott@n1singer.com
Tintin Stormont	Technology	020 7496 3080	tintin.stormont@n1singer.com
Pia Tapley	Technology	020 7496 3077	pia.tapley@n1singer.com

Sales

Jamie Constable	020 7496 3035	jamie.constable@n1singer.com
Stephen Constable-Maxwell	020 7496 3043	stephen.constable-maxwell@n1singer.com
Kate Cowell	0191 279 7567	kate.cowell@n1singer.com
Jonnie Cox	020 7496 3037	jonnie.cox@n1singer.com
Dominic Del Mar (Head of Sales)	020 7496 3003	dominic.delmar@n1singer.com
David Green	0191 500 8874	david.green@n1singer.com
Alex Hardwicke	020 7496 3044	alex.hardwicke@n1singer.com
Michael Heery	020 7496 3038	michael.heery@n1singer.com
Rachel Newton	0191 500 8875	rachel.newton@n1singer.com
Nicholas Perin	020 7496 3002	nicholas.perin@n1singer.com
Investment Funds		
Alan Geeves	020 7496 3007	alan.geeves@n1singer.com
James Waterlow	020 7496 3031	james.waterlow@n1singer.com
Sam Greatrex	020 7496 3032	sam.greatrex@n1singer.com

7 Melville Crescent
Edinburgh
EH3 7JA

West One
Wellington Street
Leeds
LS1 1BA

One Bartholomew Lane
London
EC2N 2AX

Earl Grey House
75-85 Grey Street
Newcastle upon Tyne
NE1 6EF
