

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

Final results for year ended 31 July 2013 and change of accounting reference date

IndigoVision (AIM: IND.L), a leader in the design and manufacture of high performance, intelligent video surveillance systems for large scale and complex security installations is pleased to announce its results for the year to 31 July 2013.

Financial summary

- Revenues £32.0m, up 6%
- Gross margin 56.7% down from 59.0% last year
- Profit before tax £2.08m, down 13%
- Adjusted diluted earnings per share 23.1 pence, down 8%
- Annual dividend 11.0 pence, up 10%
- Cash £0.84m, down from £6.00m following payment of the £5.29m, 70.0 pence per share, special dividend
- Change of financial year end from 31 July to 31 December

Operational highlights

- Extensive new product releases including:
 - 13 new intelligent camera models
 - High capacity server based storage devices
 - Dual density high performance encoders
- Intelligent cameras now account for half of revenue
- Major project wins in targeted markets of city surveillance and casinos
- Continuing development of vertical market strategy
- Sales team headcount up 30%

Marcus Kneen, CEO, commented:

“A great deal has been achieved this year to improve the sales team and the competitiveness of the product offering. APAC and Latin America are delivering good growth, North America has been completely restructured and work continues to turn the EMEA region round. Customers comment on the new user friendly software features, excellent service and rate of new product releases. We therefore remain confident in the long term prospects of the business.”

Notes to editors

About IndigoVision

IndigoVision is a leader in the design and manufacture of high performance, intelligent video surveillance systems for large scale and complex security installations. From video capture and transmission to analysis and storage, IndigoVision's surveillance system provides the best quality and most secure video evidence, and uses market leading compression technology to minimise network bandwidth usage and reduce storage costs.

IndigoVision's technology is ideally suited for use in strategic sites such as airports, rail networks, ports, cities, oil and gas installations, defense operations, casinos, stadiums, prisons and the police force to improve public safety, protect assets, develop organisations' operational efficiency and support law enforcement.

IndigoVision has sales and support staff in 23 countries and operates through seven regional centres, in New Jersey, Sao Paulo, Toronto, Singapore, Dubai, London and Edinburgh. 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

11 October 2013	Directors' report and consolidated financial statements circulated
12 November 2013	Annual General Meeting
29 November 2013	Dividend paid
6 March 2014	Interim results for the 6 months ending 31 January 2014
4 September 2014	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 year to 31st July 2013, good progress was made in our strategy to reposition IndigoVision to improve its prospects of returning to market rates of growth. Although overall financial performance was a little subdued, management has been strengthened in the regions; the product portfolio has been broadened and is much more competitive and better targeted; a start has been made in improving marketing and communications; and the rate of volume growth in intelligent cameras has been encouraging. Reflecting the board's view that sufficient structural change to management and the product range have been made, sales headcount was increased by 30 per cent towards the end of last year, designed to increase the rate of revenue growth in the future.

Financial results

Revenue for the year to 31 July 2013 grew 6% to £32.0m (2012: £30.3m). Within the regions, revenue grew by 33% in Latin America and 12% in Asia Pacific. These increases were offset by declines of 1% in North America and 7% in Europe, Middle East and Africa.

Gross margin recovered in the second half to 56.7% for the reporting period as a whole (2012: 59.0%). Margins vary depending on the projects completed within a reporting period. IndigoVision's product mix is evolving from encoders to intelligent cameras and whilst margins on intelligent cameras are lower than encoders the market opportunity is greater.

Overheads rose by 4% to £16.1m (2012: £15.5m) largely due to increased investment in the sales and pre-sales support teams. Sales team numbers grew by 30% and the support team by 24%, primarily in the second half of the year, resulting in a 7% increase in selling and distribution expenses over the full year. Research and development costs also rose by 7% to support the increased pace of new product development. Administration expenses (excluding exceptional costs in the prior year) rose by 2%. Operating profit was £2.05m (2012: £2.36m after exceptional costs of £0.30m) and operating margin 6.4% (2012: 7.8%).

The income tax expense was reduced by an increase in the research and development tax credit. As a result, profit after tax rose by 5% to £1.74m (2012: £1.67m). Adjusted diluted earnings per share fell by 8% to 23.1 pence (2012: 25.0 pence).

Cash balances at the year-end were £0.84m (2012: £6.00m) and the Group had no borrowings. A special dividend of £5.29m, being 70.0 pence per share, was paid in November 2012.

Dividends

The board is recommending a final dividend of 5.5 pence per share which, when added to the interim dividend of 5.5 pence per share already paid, would result in annual dividends of 11.0 pence per share (2012: 10.0 pence). The final dividend, if approved, will be payable on 29 November 2013 to shareholders on the register on 1 November 2013.

Regional performance

Revenue in the Europe, Middle East and Africa ('EMEA') region was £10.2m (2012: £10.9m), a decline of 7%. Within this region, revenue in the UK rose by 1% and declined by 11% in Northern Europe and 15% in Southern Europe, the Middle East and Africa. EMEA has IndigoVision's largest sales team, the most diverse of the regions and has lacked in country presence in certain key markets. During the year, resource was reallocated from Southern Europe to Russia, which is a more active market, and South Africa is now managed from within the territory. Changes continue to strengthen the EMEA team. In particular, country managers for the larger markets of Germany, France and Dubai, together with local pre-sales support have been appointed.

Revenue in North America was £8.0m (2012: £8.1m). The new management team appointed during the first half is making good progress in recruitment and in repositioning IndigoVision's market strategies in the region. The sales team has been rebuilt with headcount returning to the 2010 level, and confidence and pace have returned, as evidenced by the recent major project win at the Sycuan Casino, California. The region is supported by a strong local technical team, warehousing and training facilities to provide high levels of customer service and the short delivery lead times required in this market. The changes to the sales team are set to position the region for future growth.

Revenue in Latin America was £8.1m (2012: £6.1m), an increase of 33%. The region has achieved an 8 fold increase in both sales and contribution in the last 5 years. The region continues to win large city surveillance and oil and gas projects and the sales and pre-sales team was expanded by a third in the reporting period.

Asia Pacific revenue was £5.8m (2012: £5.2m), an increase of 12%. Sales in India and China, although small, are growing. The region secured strategic wins in rail, airport and stadium projects and is active in projects of

scale. The sales team grew by 18% in the reporting period to support the growth opportunities in the region. The team was involved in a very large tender process for the majority of the reporting period which concluded, unfortunately unsuccessfully, in August. Whilst the outcome was disappointing on this occasion, the process has significantly raised the profile of IndigoVision in the region and further projects have been added to the pipeline as a result.

Product mix

IndigoVision's product mix is evolving from encoders to intelligent cameras, mirroring market changes. This trend continued in the reporting period where sales of intelligent cameras accounted for 49% of revenue (2012: 43%) and sales of encoders 27% (2012: 36%). In particular, sales of the mid-market HD camera range grew strongly, accounting for 15% (2012: 5%) of revenue. Camera sales volumes grew by 28% year on year whilst encoder volumes fell by 13%.

IndigoVision's original success was in the encoder market. Over recent years, as the market developed towards cameras, and market prices on the high performance encoders fell, the Group was not sufficiently equipped to respond until a broader camera range and a low cost encoder were developed. 13 new camera models were released in the reporting period and further significant new camera releases are scheduled for the rest of 2013. These releases include an explosion proof camera range designed for hazardous areas for the oil and gas industry and a 20 megapixel camera range to service stadiums, events, casinos and traffic projects. Although the market is evolving from encoders to intelligent cameras, there remain many million analogue cameras still in use globally which continue to present a good market for migration to networked security systems, at low cost, using encoders. To enable IndigoVision to compete effectively in this market, the original single channel product range was expanded with dual channel capability, presenting a significantly improved value offering. In addition, a low cost, lower performance encoder will also be released in 2013 to capture the price sensitive market. Following release of these products, IndigoVision will have the core complement of intelligent cameras to compete effectively in the current market and an encoder range that should halt the volume decline of this category and provide an entry point into previously unaddressed areas of the market.

In addition, IndigoVision is targeting additional revenue from storage devices through the release of the new NVR AS 4000 product range. These server based network video recorders have been designed with a technology partner for the enterprise market segment, with 30 terabyte storage capacity per device, extending the revenue available to IndigoVision from larger projects. This range has the high sales value and lower margin associated with higher capacity storage devices.

IndigoVision is successfully developing hardware through both in house resource and new technology partners in order to expand the hardware product range more rapidly and enable the Group to capture the growth in the market. Over the coming year development will focus on high performance intelligent megapixel cameras and niche products for the oil and gas and transport segments, to strengthen the Group's position in these markets.

Software development & recurring income

The Group operates in a project based market, where sales values can range from £30,000 to several £million, with lead times for high value projects often spanning 1-2 years. Consequently, financial results in a particular reporting period can vary. IndigoVision's existing security installations benefit greatly from ongoing improvements to the software, from which the Group has developed a recurring income stream by charging for software upgrades. The income from software development is growing and will over time provide a useful stream of recurring revenue.

The software development undertaken over the last 12 months has been significant. In particular, the map feature enhancements released in May allow users to simply click on an area in a map and the software identifies which cameras are in range and provides video footage on as many monitors, in as many locations as is needed. Users recognise the commercial benefits of these technology developments and are starting to subscribe for the upgrade packages.

Next steps

Over the next 12 months IndigoVision is focused on two main areas: deepening the Group's presence in target industry segments and improving communication.

Marketing effort is focused on the oil and gas, city surveillance, transport and casino sectors, where IndigoVision's technology is ideally suited. These sectors have complex systems integration requirements and value high quality video and audio products that can work seamlessly across multiple sites, distance, remote locations, extreme environments and difficult lighting conditions. IndigoVision's current technology combined with its strength in integration makes it the market leader in managing these large scale and complex installations. Niche products and software features continue to be developed to enhance the application of IndigoVision's solution for these sectors.

Communicating IndigoVision's technology strengths is being improved. Marketing and communication collateral aimed at the Group's chosen industry segments is being tuned and targeted to end user security and IT directors, security consultants and installing partners, being the senior decision makers ultimately responsible for purchasing and operating IndigoVision systems. As such, communication will be focused on the unique system benefits, cost efficiencies and ease of use rather than technical intricacies. It is expected that this will improve brand awareness to the benefit of both the Group and IndigoVision's loyal network of authorised installing partners.

Change of financial year end

IndigoVision is changing its financial year end from 31 July to 31 December. The current financial reporting period interim results will be prepared for the 6 months ending 31 January 2014 and 12 months ending 31 July 2014, followed by audited annual report and accounts for the 17 months ending 31 December 2014. Closing a financial year in July has repeatedly proved to be challenging and a move to a more conventional year end will align the Group with its key business partners.

Outlook

IndigoVision has seen a solid start to the current year, with sales and order intake similar to last year. The benefits of the substantial increase in headcount in the sales team made in the second half of last year are not currently expected to show through in revenues until the latter part of 2014. The markets in which IndigoVision operates are attractive and continue to grow strongly. The Group is ready to grow the sales and pre-sales teams as soon as returns on the recent headcount increases have been delivered, in order to capture the growth in the market and develop the scale of the business over both the medium and long term.

HAMISH GROSSART
Chairman
25 September 2013

Consolidated statement of comprehensive income

For the year ended 31 July 2013

£'000	2013	2012
Revenue	31,978	30,266
Cost of sales	(13,854)	(12,410)
Gross profit	18,124	17,856
Research and development expenses	(3,606)	(3,373)
Selling and distribution expenses	(9,879)	(9,272)
Administrative expenses	(2,593)	*(2,849)
Operating profit	2,046	2,362
Financial income	37	24
Profit before tax	2,083	2,386
Income tax expense	(340)	** (720)
Profit for the year attributable to equity holders of the parent	1,743	1,666
Foreign exchange translation differences on foreign operations	(28)	-
Total comprehensive income for the year attributable to equity holders of the parent	1,715	1,666
Basic earnings per share (pence)	23.3	22.2
Diluted earnings per share (pence)	23.1	21.9

*Prior year administrative expenses include £299k of expenses classified as exceptional that year

**Prior year income tax expense includes a tax credit of £60k relating to expenses classified as exceptional that year

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

Consolidated balance sheet

As at 31 July 2013

£'000	2013	2012
Non-current assets		
Property, plant and equipment	835	533
Intangible assets	81	134
Deferred tax	3,251	3,571
Total non-current assets	4,167	4,238
Current assets		
Inventories	4,918	4,955
Trade and other receivables	10,494	7,937
Cash and cash equivalents	844	5,996
Total current assets	16,256	18,888
Total assets	20,423	23,126
Current liabilities		
Trade and other payables	6,106	4,718
Provisions	136	75
Total current liabilities	6,242	4,793
Non-current liabilities		
Provisions	45	25
Total non-current liabilities	45	25
Total liabilities	6,287	4,818
Net assets	14,136	18,308
Equity		
Called up share capital	76	76
Share premium account	1,646	1,611
Other reserve	5,146	5,146
Translation reserve	(57)	(29)
Profit and loss account	7,325	11,504
Total equity attributable to equity holders of the parent	14,136	18,308

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 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
Balance at 1 August 2012	76	1,611	5,146	(29)	11,504	18,308
Profit for the year	-	-	-	-	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)
Balance at 31 July 2013	76	1,646	5,146	(57)	7,325	14,136

Consolidated statement of cash flows
For the year to 31 July 2013

£000	2013	2012
Cash flows from operating activities		
Profit for the year	1,743	1,666
Adjusted for:		
Depreciation and amortisation	362	356
Financial income	(37)	(24)
Share based payment expense/(credit)	109	(38)
Foreign exchange gain	(46)	(135)
Loss on disposal of property, plant and equipment	3	-
Income tax charge	340	720
Decrease/(Increase) in inventories	37	(758)
Increase in trade and other receivables	(2,557)	(880)
Increase in trade and other payables	1,388	1,229
Increase/(Decrease) in provisions	81	(165)
Cash generated from operations	1,423	1,971
Income taxes paid	(20)	(5)
Net cash inflow from operating activities	1,403	1,966
Cash flows from investing activities		
Interest received	37	24
Acquisition of property, plant and equipment	(597)	(253)
Acquisition of intangibles	(15)	(93)
Net cash outflow from investing activities	(575)	(322)
Cash flows from financing activities		
Proceeds from the issue of share capital	35	8
Repurchase of own shares	-	(176)
Dividends paid	(6,031)	(639)
Net cash outflow from financing activities	(5,996)	(807)
Net (decrease)/increase in cash and cash equivalents	(5,168)	837
Cash and cash equivalents at 1 August	5,996	5,066
Effect of exchange rate fluctuations on cash held	16	93
Cash and cash equivalents at 31 July	844	5,996

Notes to the accounts:

1. Principal activities

The principal activity of the Group continues to be the design, development, manufacture and sale of surveillance systems for the global security market. Intelligent 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 intelligent video surveillance 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 network bandwidth usage.

2. Basis of preparation and accounting policies

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 Annual Report 2013.

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 2013 or 2012 but is derived from those accounts. The statutory accounts of IndigoVision Group plc for 2012 have been delivered to the Registrar of Companies and those for 2013 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

	2013 £000	2012 £000
Current tax expense		
UK tax	-	2
UK tax – prior year adjustment	(1)	-
Overseas tax	22	13
Overseas tax – prior year adjustment	(1)	(2)
	20	13
Deferred tax expense		
Origination and reversal of temporary differences	(130)	365
Reduction in tax rate	468	342
Adjustments relating to prior year trading losses	(18)	-
	320	707
Total income tax charge in income statement	340	720

5. Earnings per share

	2013 £000	2012 £000
Earnings per share		
Profit for the year attributable to equity shareholders (basic and diluted) after exceptional items	1,743	1,666
	Pence	Pence
Basic earnings per share	23.3	22.2
Diluted earnings per share	23.1	21.9
	2013 £000	2012 £000
Adjusted earnings per share		
Profit for the year attributable to equity shareholders (basic and diluted) before exceptional items	1,743	1,905
	Pence	Pence
Adjusted basic earnings per share	23.3	25.4
Adjusted diluted earnings per share	23.1	25.0

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:

	2013 Number of shares	2012 Number of shares
Issued ordinary shares at start of year	7,552,276	7,541,896
Effect of weighted average of shares issued during the year from exercise of employee share options	13,688	966
Effect of purchase of own shares	(72,238)	(35,663)
Weighted average number of ordinary shares for the year – for basic earnings per share	7,493,726	7,507,199
Effect of share options in issue	44,000	109,000
Weighted average number of ordinary shares for the year – for diluted earnings per share	7,537,726	7,616,199