

IndigoVision

IndigoVision Group plc

Interim Report 2013



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

Interim Results Highlights

IndigoVision (AIM: IND.L), a leader in networked video security hardware and management software for multiple market sectors, including airports, ports, rail, traffic, cities, retail, banking, mining, education, casinos, police, prisons and governments is pleased to announce its results for the half year to 31 January 2013.

Financial Highlights

- Revenue up 11% to record £16.1m
- Revenue growth accelerated in Q2 to 15%
- Gross margin 54.2% reflecting project mix
- Investment in new product development up 16%
- Operating profits £0.93m
- Interim dividend up 10% to 5.5p per share

Operational Highlights

- New regional sales directors in USA, Canada, UK and Russia
- New marketing manager appointed and strong additions to product management team
- Product roadmap delivering record number of new product introductions
- Software launched to support up to 100,000 cameras
- Storage capacity of the Network Video Recorder range increased 50%
- Focus on integrations for enterprise projects and key verticals
- Good project wins in all strategic vertical markets

Marcus Kneen, Chief Executive, commented:

“We set ourselves the task of returning the business to better rates of growth, and accelerating sales indicate that we are on target to achieve that. We currently expect record sales for the year as a whole. Notwithstanding lower margins and the additional spend on sales and new product development, we also currently expect the operating outcome for the year as a whole to better last year’s strong result.”

Notes to Editors

About IndigoVision

IndigoVision is a leader in the market for networked video security hardware and management software for multiple market sectors, including airports, ports, rail, traffic, cities, retail, banking, mining, education, casinos, police, prisons and governments.

These enterprise-class systems improve organisations' operational efficiency, enhance public safety and enable timely emergency response. IndigoVision operates from six regional centres, in New Jersey, Sao Paulo, Singapore, Dubai, London and Edinburgh, each with training facilities and demo suites.

With sales and support staff in 22 countries, IndigoVision partners with a network of some 500 trained and authorised IndigoVision resellers to provide local system design, installation and servicing to IndigoVision's system users.

Enquiries to:

IndigoVision Group plc	Marcus Kneen (CEO)	+44 (0) 131 475 7200
	Holly McComb (CFO)	
N+1 Singer, Nominated Advisor	Sandy Fraser	+44 (0) 131 603 6873

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

26 September 2013	Full year results announced
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Chairman's Statement

In the six months to 31 January 2013, IndigoVision made good progress towards the goal we set in September 2012 of returning the business to market rates of growth over an 18 month period. Revenue for the first half was comfortably higher, with the rate of growth accelerating in the second quarter; the team was expanded with some excellent sales and management hires in a number of regional markets and in marketing; and the impact of new products, and projects won, continued to signal that the business is back on an upward trend. In November 2012 we highlighted that benefits to operating performance would be skewed towards the second half of the year. As expected therefore, operating profits for the first half year were lower than last year as a result of lower margins arising from the mix of projects sold and from the higher costs we have incurred in sales and new product development. We have had a good start to the second half and currently expect a record year for sales, and that the operating result for the year will better last year's strong outcome.

Results

Revenue for the six months to 31 January 2013 was £16.1m (£14.5m), the highest recorded in a six month period, growing 11% on the prior year's first half. Year on year revenue growth in the first quarter was 6% and in the second quarter 15% building on the 5% achieved for the whole of last year. In our best performing markets IndigoVision achieves industry leading revenue growth. There remains further work to be done to return all markets to growth.

The mix of projects completed in the first half resulted in lower gross margins than last year's very strong levels, with gross margin for the six months of 54.2% (2012: 60.0%). Overheads, excluding prior year exceptional costs, rose 11%. Costs have been increased by recruiting additional development engineers, sales account managers and pre-sales support engineers to support the higher rates of sales growth that we are targeting. Operating profit for the first half was £0.93m (2012: £1.29m).

Diluted earnings per share for the six months were 10.5p (2012: 12.7p).

Notwithstanding the payment of the £5.6m special dividend in November 2012, at the half year end the Group had surplus cash balances of £0.86m and no borrowings. We expect cash balances to rebuild going forward as a result of trading surpluses and improved working capital management.

Dividend

The board has decided to pay an interim dividend of 5.5p per share, a 10% increase on last year's interim dividend of 5.0p. The interim dividend will be paid on 18 April 2013 to shareholders on the register on 22 March 2013.

Operations

In recent months, three former top performing members of the sales team returned to the business. One as head of the marketing team, another covering key strategic projects including training and coaching of the sales team and the most recent for government and defense projects in the UK. Key sales leadership hires have been made in the USA and Canada and the re-building of the North American business is underway. EMEA made an internal appointment as head of UK sales and consolidated resource in southern Europe in order to reposition sales resource to stronger markets. Additionally, IndigoVision has appointed its first Regional Director in Russia to target this active market.

A key differentiator of IndigoVision compared with competitors is strength in large scale, multi-site projects. IndigoVision has the technical ability to extend these projects from hundreds of cameras to tens of thousands of cameras, and already has single systems in operation with over 25,000 device inputs.

IndigoVision's technological excellence has often been described as a "best kept secret". This is changing. Marketing through trade shows and other media is now focused on end user and integration partner problems and solutions. In due course marketing will become increasingly targeted on key vertical market segments.

Product management and careful assessment of roadmaps for technology, software and hardware are key to the long term success of the business. In the last six months the product management team was further strengthened and is focused on executing the long term roadmaps, whilst retaining the flexibility to seize short term opportunities.

The strategic changes made to the product roadmap are generating a record number of new product introductions. In-house engineering spend is focused on delivering high end, high performance products. Design partnerships and strategic alliances are supplementing in-house development to deliver a greater breadth of products with targeted functionality and lower price points.

New products released last financial year are contributing to sales growth. Sales of new cameras designed for lower price point projects are growing strongly and accounted for 8% of revenue in the six months to 31 January, and the new High Definition fixed dome camera range released in the second half of last year is performing well and accounted for 5% of revenues in the same period.

A range of Enhanced Standard Definition cameras with in-built market-leading audio has been recently released to complement the expanding range of High Definition cameras. New Megapixel cameras and high performance encoders will be released in the third quarter.

Software development is market focused with significant inputs from sales partners enabling delivery of new unique selling points. These include functionality to support up to 100,000 cameras for enterprise systems and tamper proof video evidence guaranteeing that recorded video has not been altered either during recording or at the point of export, critical when using recorded CCTV evidence.

Integration with other strategic security software such as Access Control and Video Analytics continues. This allows users to manage more of their site security requirements through one interface, and increases the appeal of an IndigoVision system. Additionally, following market demand for longer storage retention, the storage capacity of the Network Video Recorder range was increased by 50% in the period.

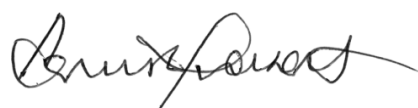
Good project wins were achieved in our key vertical markets of Oil and Gas, City Surveillance and Government and strong repeat sales to existing end users shows the strength in these relationships. Continued development of relationships with end users and their security consultants remains an important factor in delivering future sales growth.

Outlook

The third quarter has begun well with revenue for the first four weeks comfortably ahead of the corresponding period last year and we currently anticipate that revenue for the year as a whole will reach record levels.

The markets in which we operate continue to grow as the global focus on security continues and the regulatory push for even better evidence (which we lead the market in) broadens. We are conscious that competition will inevitably increase given these attractions. We currently have a number of product advantages and an enviable installed base which historically has not been capitalised on as well as it could be. Having made a series of management, product and staff changes, we are beginning to see the early fruits of the more commercial, market, and customer focused culture which the Chief Executive and team have been instilling throughout the business. IndigoVision is now becoming much better placed to compete effectively in an exciting environment which will continue to expand quickly.

Changes in the mix of sales and project wins in the first half resulted in lower margins. We expect second half margins at least to equal those achieved in the first half. We also plan to continue with sales recruitment, particularly in North America where there are excellent opportunities for growth under recently strengthened management, and therefore costs will rise. Notwithstanding these twin brakes on short term profitability as we pursue more rapid growth, we currently expect the operating outcome for the year as a whole to better last year's strong result.



HAMISH GROSSART
Chairman
6 March 2013

Consolidated statement of comprehensive income

For the 6 months ended 31 January 2013

£'000	Note	Interim 2013	Interim 2012	Full Year 2012
Revenue		16,104	14,494	30,266
Cost of sales		(7,371)	(5,787)	(12,410)
Gross profit		8,733	8,707	17,856
Research and development expenses		(1,923)	(1,655)	(3,373)
Selling and distribution expenses		(4,593)	(4,261)	(9,272)
Administrative expenses		(1,291)	(1,498) *	(2,849) *
Operating profit		926	1,293	2,362
Financial income		26	4	24
Profit before tax		952	1,297	2,386
Income tax expense	3	(162)	(335) **	(720) **
Profit for the period attributable to equity holders of the parent		790	962	1,666
Foreign exchange translation differences on foreign operations		(18)	(17)	-
Total comprehensive income for the period attributable to equity holders of the parent		772	945	1,666
Basic earnings per share (pence)	2	10.5	12.8	22.2
Diluted earnings per share (pence)	2	10.5	12.7	21.9

* Includes £299k of costs classified as exceptional.

** Includes an income tax credit of £78k (Interim 2012), £60k (Full year 2012) classified as exceptional.

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

Consolidated balance sheet

As at 31 January 2013

£'000	Interim 2013	Interim 2012	Full Year 2012
Non-current assets			
Property, plant and equipment	612	588	533
Intangible assets	107	106	134
Deferred tax	3,409	3,943	3,571
Total non-current assets	4,128	4,637	4,238
Current assets			
Inventories	4,340	3,152	4,955
Trade and other receivables	8,678	6,251	7,937
Cash and cash equivalents	863	7,228	5,996
Total current assets	13,881	16,631	18,888
Total assets	18,009	21,268	23,126
Current liabilities			
Trade and other payables	4,357	2,840	4,718
Provisions	75	290	75
Total current liabilities	4,432	3,130	4,793
Non-current liabilities			
Provisions	28	35	25
Total non-current liabilities	28	35	25
Total liabilities	4,460	3,165	4,818
Net assets	13,549	18,103	18,308
Equity			
Called up share capital	76	76	76
Share premium account	1,647	1,603	1,611
Other reserve	5,146	5,146	5,146
Translation reserve	(47)	(46)	(29)
Profit and loss account	6,727	11,324	11,504
Total equity attributable to equity holders of the parent	13,549	18,103	18,308

Consolidated statement of changes in equity

£'000	Share Capital	Share Premium	Other Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at 1 August 2012	76	1,611	5,146	(29)	11,504	18,308
Profit for the period	-	-	-	(18)	790	772
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)
Balance at 31 January 2013	76	1,647	5,146	(47)	6,727	13,549
Balance at 1 August 2011	76	1,603	5,146	(29)	10,724	17,520
Profit for the period	-	-	-	(17)	962	945
Equity-settled transactions including deferred tax effect	-	-	-	-	(99)	(99)
Dividends paid to equity holders	-	-	-	-	(263)	(263)
Balance at 31 January 2012	76	1,603	5,146	(46)	11,324	18,103
Balance at 1 August 2011	76	1,603	5,146	(29)	10,724	17,520
Profit for the period	-	-	-	-	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

Consolidated statement of cash flows

For the 6 months to 31 January 2013

£'000	Interim 2013	Interim 2012	Full Year 2012
Cash flows from operating activities			
Profit for the period	790	962	1,666
Adjusted for:			
Depreciation and amortization	162	171	356
Financial income	(26)	(4)	(24)
Share based payment expense/ (credit)	52	(99)	(38)
Foreign exchange loss/ (gain)	19	(114)	(135)
Income tax expense	162	335	720
Decrease/ (Increase) in inventories	615	1,045	(758)
(Increase)/ Decrease in trade and other receivables	(741)	806	(880)
(Decrease)/ Increase in trade and other payables	(361)	(649)	1,229
Increase/ (Decrease) in provisions	-	60	(165)
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Cash generated from operations	672	2,513	1,971
Income taxes paid	-	(5)	(5)
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Net cash inflow from operating activities	672	2,508	1,966
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Cash flows from investing activities			
Interest received	26	4	24
Acquisition of property, plant and equipment	(208)	(155)	(253)
Acquisition of intangibles	(6)	(34)	(93)
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Net cash outflow from investing activities	(188)	(185)	(322)
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Cash flows from financing activities			
Proceeds from the issue of share capital	36	-	8
Repurchase of own shares	-	-	(176)
Dividends paid	(5,619)	(263)	(639)
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Net cash outflow from financing activities	(5,583)	(263)	(807)
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Net increase in cash and cash equivalents	(5,099)	2,060	837
Cash and cash equivalents at start of period	5,996	5,066	5,066
Effect of exchange rate fluctuations on cash held	(34)	102	93
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Cash and cash equivalents at period end	863	7,228	5,996

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 2013 comprise the Company and its subsidiaries together referred to as “the Group”. The interim report was approved by the board of directors on 6 March 2013.

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 2012.

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 2012, 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 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 2013 is unaudited.

2. Earnings per share

	Interim 2013 £000	Interim 2012 £000	Full Year 2012 £000
Profit for the period attributable to equity shareholders (basic and diluted)	790	962	1,666
	Pence	Pence	Pence
Basic earnings per share	10.5	12.8	22.2
Diluted earnings per share	10.5	12.7	21.9

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:

	Interim 2012 No of shares	Interim 2012 No of shares	Full Year 2012 No of shares
Issued ordinary shares at start of year	7,552,276	7,541,896	7,541,896
Effects of shares issued during the period from exercise of employee share options	8,134	-	966
Effects of purchase of own shares	(72,238)	(22,238)	(35,663)
Weighted average number of ordinary shares for the period – for basic earnings per share	7,488,172	7,519,658	7,507,199
Effect of share options in issue	49,000	59,380	109,000
Weighted average number of ordinary shares for the period– for diluted earnings per share	7,537,172	7,579,038	7,616,199

3. Taxation

The tax charge in the current period represents a reduction in the deferred tax asset relating to temporary differences on outstanding share option schemes and the utilisation of prior year tax losses to offset the current period taxable profits.

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 31 July 2012 such losses amounted to £15.0m of which £0.7m has been utilised to offset the current period taxable profits. At a corporate tax rate of 23%, this is equivalent to a deferred tax asset in relation to these trading losses of £3.3m, which has been fully recognised in the financial statements.