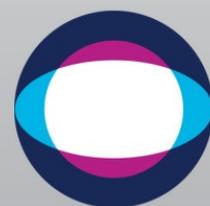


IndigoVision Group plc

Second Interim Report 2014



Complete IP Video Security
Solutions Since 1994



IndigoVision

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

Second Interim Results for the twelve months ending 31 July 2014

Record sales, strong growth across the business

Financial Highlights

- Revenue up 16% to record £37.2m, up 20% in constant currency
- Operating profit before currency movements up 55% to £2.71m
- Operating profit up 20% to £2.45m
- Diluted earnings per share up 40% to 32.4p
- Second interim dividend 6p, up 9% year-on-year

Operational Highlights

- Regional revenue growth in local currency:
 - Asia Pacific up 29%
 - EMEA up 23%
 - North America up 22%
 - Latin America up 7%
- Continued strength in enterprise projects:
 - First Macau casino project
 - Further roll out of “safe city” projects in Latin America
 - Commercial and industrial developments in the Middle East
 - Energy projects in North America
- Technology innovation continues with:
 - Launch of the Ultra 2K, best in class high definition camera range
 - IndigoVision positioned as the most open end to end solution on the market

Marcus Kneen, Chief Executive, commented:

“The last twelve months has seen good growth throughout the business, record sales, and a strong operating performance. More importantly, IndigoVision's position as a key industry innovator has been enhanced through rapid development of our product range, and internal and customer confidence is high. Current trading is strong and we expect to report good results for the seventeen months to our new 31 December year end.”

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, 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 22 countries and operates through 18 regional centres, in Edinburgh, London, Paris, Amsterdam, Dusseldorf, Johannesburg, 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.

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

16 October 2014	Second interim dividend paid
26 February 2015	Results for the 17 months ending 31 December 2014
30 April 2015	Annual General Meeting

Chairman's Statement

In the second six months to 31 July 2014, IndigoVision continued to enjoy the good growth which was evident in the first six months. The product portfolio has been strengthened; sales and distribution infrastructure is developing well; and the Group's reputation for quality, innovation, and product performance is at an all time high. These factors resulted in a much improved financial performance, and IndigoVision now looks to be positioned for sustained growth.

Results

In the twelve months to 31 July 2014, overall Group sales grew by 16% to £37.2m (20% in constant currency). In the first six months, sales grew 14% (13% in constant currency) and in the second six months sales growth accelerated to 18% (27% in constant currency).

Regionally, performance continued to be encouraging, with all geographies growing year on year. In Asia Pacific sales grew strongly by 23% (29% in local currency). Europe, Middle East, and Africa grew by a healthy 23% (23% in local currency), and North America produced a good performance, growing 17% (22% in local currency). Latin America grew by 3% (7% in local currency) consolidating somewhat after several years of being IndigoVision's fastest growing region.

Gross margin percentage was ahead of last year at 57.6% (2013: 56.7%) and gross profit overall was 18% higher at £21.4m (2013: £18.1m). Overheads, excluding foreign exchange movements, were 14% higher primarily as a result of the development of the sales and distribution network. Including foreign exchange movements, total costs were 18% higher.

Operating profits before foreign exchange movements grew by 55% to £2.71m (2013: £1.75m). There was a charge for foreign exchange movements of £0.26m (2013: credit of £0.30m), and net of these items, operating profits grew by 20% to £2.45m (2013: £2.05m). After benefitting from a reduced tax charge, basic and diluted earnings per share rose by 39% and 40% respectively.

Presentation Currency

The Group's financial information is presented in Sterling. Reflecting the development of the Group's global business, which now prices mostly in US dollars and has largely US dollar linked costs, the functional currency of the main operating subsidiary was changed to US dollars from Sterling with effect from 1 February 2014. These changes have been made in accordance with applicable accounting standards. They are likely to result in a reduction in volatility from the impact of foreign exchange movements on the Group's results.

Consistent with this change, for the 17 months ending 31 December 2014, the Group has decided to present its financial information in US dollars. Comparative financial information for the twelve months ended 31 July 2013, presented in US dollars, will be made available on the Group's website in advance of the 17 month period end.

Products and Markets

IndigoVision has a comprehensive installed base of systems throughout the globe, and the positive experience of users of our products and systems forms the bedrock of IndigoVision's brand strength, and of end user and customer trust in our business, both key to future growth. The last twelve months have seen the release of a series of strong new products directed at the needs of end users, which have been both well received and have contributed to sales growth. These include the new Ultra 2k, the best in class high definition camera, and further releases of the thrice yearly upgrades of Control Center, the Group's outstanding video management software. Carefully targeted product development continues, and further innovative new products are scheduled for release in the next few months.

The Group remains focused on key vertical market segments, and the resultant closer understanding of markets and customer needs informs the design of industry specific software features and allows well targeted research and development. A series of project wins in these key markets were secured in the second six months, including IndigoVision's first casino in Macau; energy projects in North America; further stages of the Latin American "Safe Cities" projects; and a series of commercial and industrial developments in the Middle East.

IndigoVision is increasingly recognised as the most open end to end solution, giving end users and buyers complete freedom of choice when designing their system. By working with technology partners and integrating with complementary software and hardware, IndigoVision is better placed to capture an increasing proportion of

each installation. For example, IndigoVision's largest Latin American airport system included integration with advanced analytics, people counting, facial recognition, and major incident management software. In the coming months aspects of these innovations will be incorporated into IndigoVision's product portfolio and rolled out in other territories.

Dividends

A first interim dividend of 6 pence per share was paid in respect of the six months to 31 January 2014.

Cash balances have again increased, amounting to £2.44m at 31 July 2014, and the Group has no borrowings. The operating performance and financial position are strong, and the board has therefore authorised a second interim dividend of 6 pence per share in respect of the second six months to 31 July 2014, an increase of 9% over last year's final dividend. The second interim dividend will be paid on 16 October 2014 to shareholders on the register on 26 September 2014.

As a result of the previously announced change to the Group's year end, the current financial period will be for seventeen months to 31 December 2014. In addition to the first and second interim dividend, the board currently expects to recommend a final dividend which will be announced along with the final results to 31 December 2014.

Scottish Referendum

Tomorrow is polling day for Scotland. We are in no doubt that IndigoVision, with a world leading range of products utilised in key security installations globally, benefits from being recognised the world over as British, and has the invaluable support of the superb network of British embassies and trade organisations overseas. Should the Scottish electorate vote to leave the United Kingdom, we are ready to implement well developed plans to protect IndigoVision's business and the interests of stakeholders.

Outlook

IndigoVision has delivered strong growth throughout the business in the twelve months to 31 July 2014. The final five months have started well and we expect to report good performance for the seventeen month period to our new financial year end.

Perhaps more importantly, the medium and long term outlook for the markets in which we operate continues to be favourable. Although there is effective competition, IndigoVision is well placed relative to its peers as far as product range and performance, reputation, innovation, global sales coverage, and distribution network are concerned.

It therefore seems likely that the excellent progress in the last twelve months has been the beginning of a more sustained period of growth and we look forward to the future with a sense of confidence.



HAMISH GROSSART
Chairman
16 September 2014

Consolidated statement of comprehensive income

For the 12 months ended 31 July 2014

£'000	Note	2014	2013
Revenue		37,178	31,978
Cost of sales		(15,747)	(13,854)
Gross profit		21,431	18,124
Research and development expenses		(3,446)	(3,606)
Selling and distribution expenses		(12,285)	(9,879)
Administrative expenses		(3,254)	(2,593)
Operating profit		2,446	2,046
Financial income		1	37
Profit before tax		2,447	2,083
Income tax expense	3	(9)	(340)
Profit for the period attributable to equity holders of the parent		2,438	1,743
Other Comprehensive Income			
Foreign exchange translation differences on foreign operations		(424)	(28)
Total comprehensive income for the period attributable to equity holders of the parent		2,014	1,715
Basic earnings per share (pence)	2	32.5	23.3
Diluted earnings per share (pence)	2	32.4	23.1

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

Consolidated balance sheet

As at 31 July 2014

£'000	2014	2013
Non-current assets		
Property, plant and equipment	1,054	835
Intangible assets	79	81
Deferred tax	3,199	3,251
Total non-current assets	4,332	4,167
Current assets		
Inventories	4,887	4,918
Trade and other receivables	10,660	10,494
Cash and cash equivalents	2,444	844
Total current assets	17,991	16,256
Total assets	22,323	20,423
Current liabilities		
Trade and other payables	7,033	6,106
Provisions	131	136
Total current liabilities	7,164	6,242
Non-current liabilities		
Provisions	45	45
Total non-current liabilities	45	45
Total liabilities	7,209	6,287
Net assets	15,114	14,136
Equity		
Called up share capital	76	76
Share premium account	1,695	1,646
Other reserve	5,146	5,146
Translation reserve	(481)	(57)
Profit and loss account	8,678	7,325
Total equity attributable to equity holders of the parent	15,114	14,136

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	-	-	-	-	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

£'000	Share Capital	Share Premium	Other Reserve	Translation Reserve	Retained Earnings	Total Equity
Balance at 1 August 2013	76	1,646	5,146	(57)	7,325	14,136
Profit for the period	-	-	-	-	2,438	2,438
Difference on translation	-	-	-	(424)	-	(424)
Share options exercised by employees	-	49	-	-	-	49
Equity-settled transactions including deferred tax effect	-	-	-	-	69	69
Company shares purchased by employee trust	-	-	-	-	(293)	(293)
Dividends paid to equity holders	-	-	-	-	(861)	(861)
Balance at 31 July 2014	76	1,695	5,146	(481)	8,678	15,114

Consolidated statement of cash flows

For the 12 months ended 31 July 2014

£'000	2014	2013
Cash flows from operating activities		
Profit for the period	2,438	1,743
Adjusted for:		
Depreciation and amortisation	533	362
Financial income	(1)	(37)
Share based payment expense	69	109
Foreign exchange loss/(gain)	110	(46)
Loss on disposal of property, plant and equipment	-	3
Income tax expense	9	340
(Increase)/Decrease in inventories	(97)	37
Increase in trade and other receivables	(368)	(2,557)
Increase in trade and other payables	984	1,388
Increase in provisions	-	81
Cash generated from operations	3,677	1,423
Income taxes paid	(20)	(20)
Net cash inflow from operating activities	3,657	1,403
Cash flows from investing activities		
Interest received	1	37
Acquisition of property, plant and equipment	(707)	(597)
Acquisition of intangibles	(68)	(15)
Net cash outflow from investing activities	(774)	(575)
Cash flows from financing activities		
Proceeds from the issue of share capital	49	35
Company shares acquired by employee trust	(293)	-
Dividends paid	(861)	(6,031)
Net cash outflow from financing activities	(1,105)	(5,996)
Net increase in cash and cash equivalents	1,778	(5,168)
Cash and cash equivalents at start of period	844	5,966
Effect of exchange rate fluctuations on cash held	(178)	16
Cash and cash equivalents at period end	2,444	844

Notes to the accounts:

1. Basis of preparation and accounting policies

IndigoVision Group plc (“the Company”) is domiciled in Scotland. The consolidated interim financial information (“the interim report”) of the Company for the twelve months ended 31 July 2014 comprise the Company and its subsidiaries together referred to as “the Group”. The interim report was approved by the board of directors on 16 September 2014.

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

The financial information has been prepared applying the accounting policies that were applied in the preparation of the Group’s published financial statements for the year ended 31 July 2013. The change to functional currency of US dollars in the principal subsidiary company, and two smaller subsidiaries, is commented on in note 4.

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 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 twelve month period ended 31 July 2014 is unaudited.

2. Earnings per share

	2014 £000	2013 £000
Profit for the period attributable to equity shareholders (basic and diluted)	2,438	1,743
	Pence	Pence
Basic earnings per share	32.5	23.3
Diluted earnings per share	32.4	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:

	2014 No of shares	2013 No of shares
Issued ordinary shares at start of period	7,574,548	7,552,276
Effects of weighted average of shares issued during the period from exercise of employee share options	14,011	13,688
Effects of weighted average of purchase of own shares and shares held by the employee benefit trust	(96,595)	(72,238)
Weighted average number of ordinary shares for the period – for basic earnings per share	7,491,964	7,493,726
Effect of share options in issue	32,806	44,000
Weighted average number of ordinary shares for the period– for diluted earnings per share	7,524,770	7,537,726

3. Taxation

The tax charge in the current period represents foreign taxes of £0.05m and a £0.06m charge for the reduction in the deferred tax asset relating to the utilisation of prior year tax losses to offset the current period taxable profits. This £0.11m expense is offset by a £0.10m tax credit following revision to prior year research and development tax relief claims. Current period taxable profit is also reduced by research and development tax relief.

No provision for UK corporation tax is required due to the substantial tax losses available for offset against 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 and £0.50m has been added following the revision to prior year research and development relief. At a corporate tax rate of 20%, this is equivalent to a deferred tax asset in relation to these trading losses of £3.20m, which has been fully recognised in the financial information.

4. Functional and Presentation Currency

Items included in the financial information of each of the Company's subsidiaries are measured using the functional currency, being the currency of the primary economic environment in which the subsidiary operates. With effect from 1 February 2014, the functional currency of IndigoVision Ltd, the Group's principal subsidiary company, and two smaller subsidiaries changed from Pounds Sterling (GBP) to US dollars (USD).

The consolidated financial information is presented in GBP, which is currently the Group's presentation currency. For the 17 months ending 31 December 2014, the presentation currency will change to USD. Comparative financial information for the year ending 31 July 2013 presented in USD will be made available on the Group's website in advance of the 17 month period end.

5. Revenue in constant currency

£'000	6 months to 31 January	6 months to 31 July	12 months to 31 July
2014 reported	18,395	18,783	37,178
2013 reported	16,104	15,874	31,978
Growth reported	14%	18%	16%
2014 in constant currency	18,603	19,662	38,265
2013 in constant currency	16,472	15,516	31,988
Growth in constant currency	13%	27%	20%

The constant currency calculations apply the 2013 average exchange rates of GBP:USD of 1.5675 and GBP:EUR of 1.2152 to all sales denominated in USD and EUR respectively in both 2013 and 2014.

6. Overhead and Operating Profit before foreign currency movements

£'000	2014	2013	% change
Total overhead before foreign currency movements	(18,720)	(16,376)	14%
Foreign currency movements included with administration expenses	(265)	298	
Total overhead reported	(18,985)	(16,078)	18%
Operating profit before foreign currency movements	2,711	1,748	55%
Foreign currency movements included with administration expenses	(265)	298	
Operating profit reported	2,446	2,046	20%