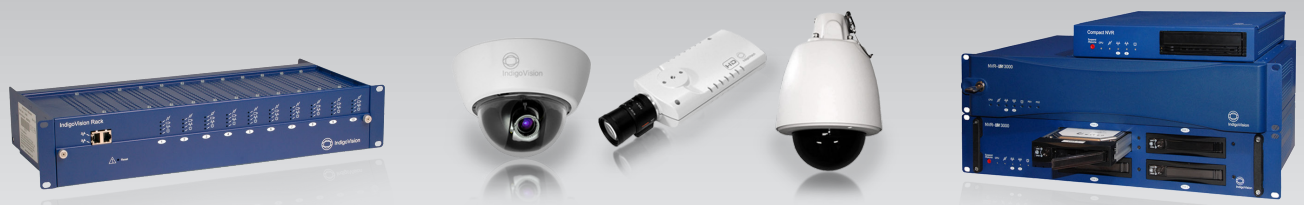
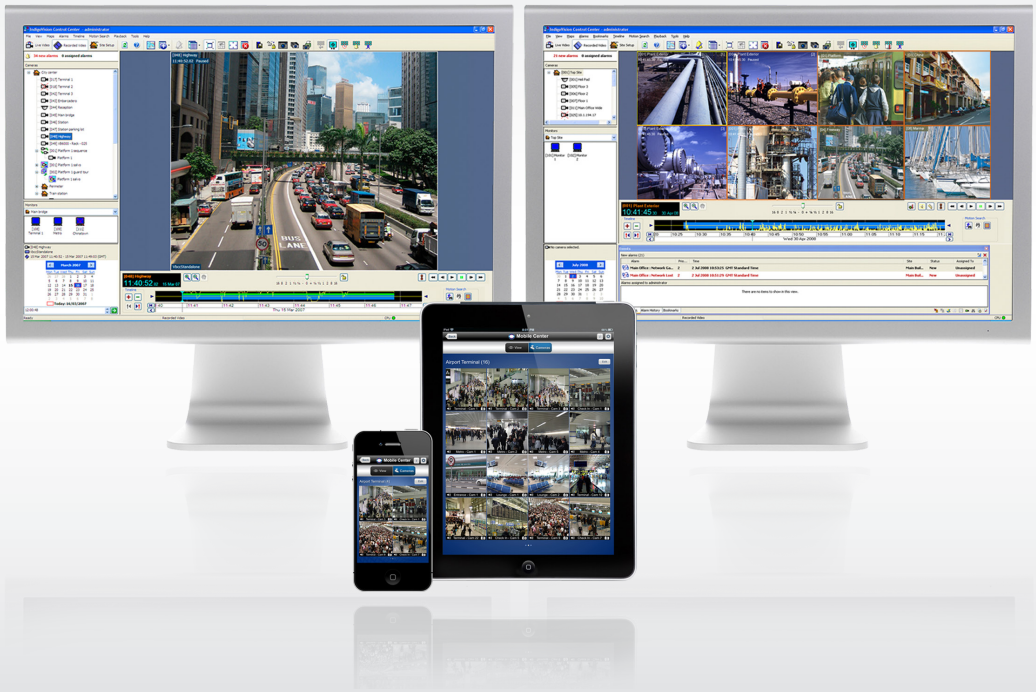
IndigoVision Group plc

Annual Report 2012





World Class Hardware • Open Architecture • Resilient Recording
Market Leading Management Software

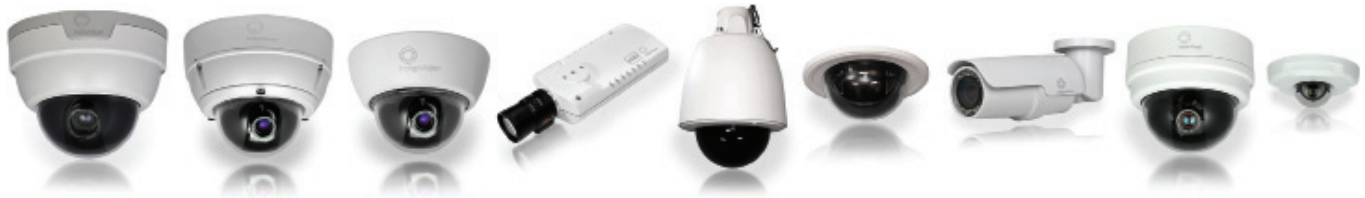
The Most Advanced IP Video Security Solution in the World.

IndigoVision

Complete IP Video Security Solutions

IndigoVision

Directors' report and consolidated financial statements 2012



Contents

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Highlights

For the year ended 31 July 2012

Financial highlights

- Annual revenues up 5% to £30.3m
- Second half revenues up 14% to £15.8m
- Operating profit before exceptional items up 123% to £2.66m
- Adjusted diluted earnings per share tripled to 25.0 pence per share
- Final dividend 5.0 pence per share making 10.0 pence for the year, up 33%
- Proposed special dividend of 70.0 pence per share

Operating highlights

- 14 new camera variants released
- Camera Gateway™ software launched, providing a truly open system
- 3 year product and technology roadmaps developed
- All sales regions achieved higher operating contributions
- Management changes implemented

Hamish Grossart, Chairman, said:

"These are excellent results from a business with the potential to be much larger. Extensive changes to the business, both completed and planned for the current year, are designed to position it for future growth.

Double digit growth in sales and order intake has continued into the first seven weeks of the current year. At this early stage there is every reason to believe that the current year will be a good one."

Chairman's statement

The year to 31 July 2012 saw a return to sales growth during the second half; a strong recovery in gross margins; a doubling of pre-tax profits; and extensive changes made to management and the business designed to position IndigoVision for future growth.

There has been a promising start to trading in the current year, and surplus cash balances remain healthy. Consequently, the Board is proposing a special dividend of 70.0 pence per share in addition to a proposed final dividend of 5.0 pence per share.

Results

After exceptional items of £0.3m provided in the first half, pre-tax profits for the full year doubled to £2.39m.

Revenue for the year to 31 July 2012 was £30.3m, 5% higher than last year (2011: £28.9m). This rise was driven by strong growth in Latin America and a modest improvement in North America, offset by a small drop in Asia Pacific and by a decline in Europe, Middle East and Africa. Group sales growth in the second half was a healthy 14%, more than offsetting a 4% decline in the first half.

Gross margin was 59%, a strong recovery from last year. Overheads (before exceptional items) rose 2% to £15.2m (2011: £14.9m). Within this, selling and distribution expenses were 2% lower, administration expenses 3% higher and research and development costs up by 12%.

Operating profit before exceptional items rose 123% to £2.66m (2011: £1.19m) as a result of sales growth and better gross margins. Operating margins, before exceptional items, recovered strongly from 4.1% to 8.8%. Adjusted diluted earnings per share were 25.0 pence, up from 8.2 pence in the prior year.

Cash balances at the year-end were £6.00m (2011: £5.07m) and the Group had no borrowings. These cash balances together with unutilised bank facilities provide IndigoVision with strong liquidity.

Dividends

The Board is recommending a final dividend of 5.0 pence per share which, when added to the interim dividend of 5.0 pence per share already paid, would result in annual dividends of 10.0 pence per share, 33% higher than the previous year's total. The final dividend, if approved, will be payable on 30 November 2012 to shareholders on the register on 2 November 2012.

In view of IndigoVision's healthy cash position, the Board is also recommending a special dividend of 70.0 pence per share, which, if approved, would be paid at the same time as the final dividend to shareholders on the register on 2 November 2012.

Regional performance

Despite marked regional variations in year on year sales performance, all regions achieved an increase in their operating contribution to the Group.

Sales growth was exceptionally strong in Latin America, up 56% to £6.06m (2011: £3.89m), continuing the rapid growth of recent years. This growth was accompanied by an improvement in gross margin, and the contribution from the region more than doubled notwithstanding additional spend on sales resource, technical and service capability, and increased local warehousing. This region has strong leadership and excellent tactical market plans.

In North America, sales improved 5% to £8.11m (2011: £7.72m). Within North America, sales in Canada grew by 21%, but this growth was partially offset by a 5% fall in USA sales. Margins remained sound and regional costs were well controlled resulting in a 10% improvement in regional contribution. IndigoVision has not reached its potential in the USA for a considerable period. Accordingly, structural and management changes were made during the year and investment in a new team continues. A new head of partner support for North America has been appointed who will be key to implementing customer service improvements. Resolution of past product quality and end user site performance issues have resulted in a dramatic improvement in confidence within the North America team, partners and end users, and although more remains to be done, there is now a solid base for future development. The Chief Executive is taking a pivotal role in rebuilding IndigoVision's North American business and together with the executive team is fully committed to improving the region's performance.

Asia Pacific sales reduced 1% to £5.21m (2011: £5.28m). This slight reduction was more than offset by an improvement in gross margin and a modest improvement in regional contribution was achieved. Performance within the region was mixed. Management changes have been made in India and a more structured market approach in both India and China implemented. APAC secured its first casino wins in Cambodia and Australia and continues to develop its expertise and business in the police, prisons, cities and oil and gas markets.

Sales in Europe, Middle East and Africa were down 9% to £10.9m (2011: £12.0m). An improvement in gross margin and lower regional costs nevertheless resulted in a stronger contribution overall. Performance within the region was mixed with growth returning to the Middle East and Africa, stable sales in Europe and a significant fall in the UK. EMEA is IndigoVision's largest operating region and has under-performed in recent years. A new regional sales director for EMEA was appointed in March, through an internal promotion. This together with changes implemented in the Middle East, has already led to improved sales performance. Plans are being implemented to improve UK performance with a view to growth.

Products and technology

There have been a number of significant changes made during the year designed to improve market orientation of products, eradicate historic quality problems, and position IndigoVision for future growth.

Critically, the management team has now put in place clear three year roadmaps for hardware, software and technology, which are reviewed quarterly to ensure they remain in line with market demand, respond to industry advances as they occur, and deliver commercially successful products. Closer relationships with key component suppliers are being developed with the aim of being able to design in technology advances as they become available, and return on investment assessments of each development project are now standard. Work remains to be done to return the Group to the forefront of its market, but IndigoVision is determined to achieve an industry leading position in technology, quality and customer service and will continue to improve systems and processes to achieve this.

The camera range has been extended significantly. Previously the range was missing key lower price point models, now rectified with the release of seven new cameras designed for this area of the market. Development of the Group's core premium camera models has also been accelerated with the release of a further seven new and improved variants in both SD and HD. This increased momentum is expected to continue, with a further 14 new models scheduled for release in the current financial year. In addition, the Camera Gateway™ software has been launched, enabling other manufacturers' IP cameras to be connected to IndigoVision's SMS4™ security management software, thus enabling sites with existing IP cameras to transfer easily and economically to an IndigoVision solution. This, together with the ONVIF conformant SMS4™ and continued development of integration modules provides end users with a truly open system, giving complete flexibility when selecting the components of their security solution.

IndigoVision's core technology has been its transmitter and receiver range. This product range delivers industry leading compression and has commanded a price premium since launch. However, increased price competition is being experienced and IndigoVision is responding to this with the launch of lower price per video channel products which retain existing exceptional quality, with a view to maintaining market share in this traditionally strong area.

IndigoVision has a strong reputation for its software. To develop this position further, a structured software release schedule has been set, agile planning tools implemented, and a roadmap developed with greater vertical market focus. The engineering team successfully delivered three upgrades to SMS4™ as well as the Mobile Center application during the last financial year, and this increased pace of new feature development is set to continue.

The product quality issues of recent years have been largely resolved. Partners have noted the improvements, and the positive impact these improvements are having on sales team confidence, support team efficiency, and engineering productivity are now evident. The resolution of these issues has been the focus of management attention and the tighter controls now in place as part of this process, from design through to manufacturing output, should materially benefit IndigoVision in future years.

Markets

The IMS "World CCTV and Video Surveillance Market 2011" report forecasts growth in the world-wide digital surveillance market of some 20% per annum for the next five years. Market forecasts have indicated similar strong growth for the past several years.

IndigoVision's marketing has not been sufficiently strong in recent years, and the effect of this on performance has been exacerbated by emerging, marketing-focused competitors targeting the mid-market. To address this, the Group will be focusing efforts on a defined range of global vertical segments of the market. The engineering and product management teams are developing tailored solutions for these industry segments and the marketing team is being expanded to facilitate a vertical market campaign. IndigoVision already has strategic reference projects, strong end-user relationships and a good understanding of the needs of these industries which should allow it to build a stronger brand and access further sales opportunities. A strategy for each segment is currently being developed and product road maps will be closely aligned to market requirements.

Board and management changes

During the year Marcus Kneen replaced Oliver Vellacott as Chief Executive and Holly McComb was appointed Finance Director. The costs arising from these changes and from corporate activity shortly thereafter amounted to £0.3m and were provided as an exceptional item in the first half.

The Group remains committed to growth across all operating regions, and has made further management changes throughout the business to ensure a stronger platform.

Outlook

As is perhaps clear from the extent of changes to management, operations and products, there was much that needed adjusting to reposition IndigoVision simply to be able to develop at the same rapid pace as its chosen markets. A tremendous amount has already been achieved under Marcus Kneen's energetic and effective leadership. Although change is not always easy, there is now a visible spring in the step of management worldwide as they see improvements being made which should unlock IndigoVision's potential.

A good start has been made in the current year. Double digit sales growth has continued into the first seven weeks of the current year, and the rate of order intake is equally encouraging. Over the next 18 months, management is clearly focused on achieving growth rates at least equal to those of the markets in which IndigoVision operates. Whilst forward visibility of future sales remains relatively short, at this early stage there is every reason to believe that the current year will be a good one.

Hamish Grossart
Chairman
26 September 2012

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 July 2012.

Principal activities and business review

The principal activities of the Group continue to be the design, development, manufacture and sale of software and hardware products. These products provide CCTV and alarm integrators with a complete enterprise class Security Management System that allows full motion real time video to be transmitted worldwide, with digital quality and security, using local or wide area networks, wireless links or the Internet.

A review of the activities of the Group for the year is given in the Chairman's Statement on pages 2 and 3.

Proposed dividend

The directors recommend the payment of a final dividend of 5.0 pence per share which, when added to the interim dividend of 5.0 pence, gives a total of 10 pence for the year (2011: 7.5 pence). The directors further recommend payment of a special dividend of 70.0 pence per share.

Risk

The principal risks and uncertainties affecting the business include the following:

Product and technology risk: all new technologies and products involve business risk both in terms of possible abortive expenditure, risk to reputation and potential customer claims. Such risks may materially impact the Group. All appropriate measures are taken to control quality throughout the design and production processes and the Group has continued to improve its New Product Introduction procedures to minimise these risks.

Litigation risk: the Group takes precautions to seek to ensure that its products do not infringe third party intellectual property or other rights. However, given that the fields of video and audio technology are heavily patented, there remains a risk that the Group may be the subject of third party claims of intellectual property right infringement.

Competitive risk: the Group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the Group. The geographical diversity of operations reduces the possible effect of action by any single competitor. The Group invests directly in research and development in order to sustain a competitive advantage, and also works continually to ensure that its cost base is competitive.

Supply chain and distribution risk: the Group sources component parts from a number of global suppliers and avoids single points of supply wherever possible. The Group sub-contracts the manufacturer of its goods to a large manufacturer in Malaysia with factories in multiple locations and an established and fast-growing Taiwanese manufacturer, and operates four distribution hubs to reduce the risk of supply to its customers. The Group obtained Authorised Economic Operator (AEO) status in April 2010, and seeks to work with supply chain partners that are also AEO accredited, or whose procedures and practices meet the required standards, to minimise the safety and security risk of operating a global supply chain.

Partner risk: the Group sells its goods and services through a global authorised partner network. Potential new partners undertake a strict authorisation process, including thorough product training to ensure the Group's products are installed and maintained to a high standard at end-user sites and to minimise the risk to the Group's reputation in the market place. This is further supported by the Group's Regional Support Teams who are available to assist in pre-sales, installation and ongoing technical support. Potential new partners also undergo detailed credit checks and trade within authorised credit limits to minimise the Group's financial risk.

Foreign currency exchange rate fluctuations: the Group monitors short and medium term exchange rates and purchases products and components in US Dollars and Euros to match the major sales currencies.

Environmental risks: the Group places considerable emphasis upon environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation, but also strives to ensure that environmental best practice is incorporated into its key processes. The Group's ethical sourcing policy defines the environmental responsibilities throughout the supply chain. The Group is fully RoHS compliant.

The effect of legislation and other regulatory activities: the Group regularly monitors forthcoming and current legislation as it affects the Group.

Cash and treasury

The net cash balance at year end was £6.00m (2011: £5.07m).

Cash balances are held in Sterling, US Dollars and Euros.

Cash reserves in excess of current requirements are placed on a variety of term deposits. Term deposits are placed with banks from the list of the Group's approved institutions.

The Group reviews its treasury and foreign currency policies on a regular basis.

The Group's combined bank facility totalling £3.5m can be used for working capital, letters of credit and bond and guarantees and is secured by a bond and floating charge.

Key areas of strategic development and performance of the business

Sales and marketing: new and repeat business is being won continually; new markets have been developed in line with the Group's strategy; key customer relationships are monitored on a regular basis and the performance of the regional sales teams is continually reviewed to ensure appropriate development is provided and teams resourced accordingly.

Manufacturing: products continue to be developed for both existing and development markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed. Additional regional stock holdings to satisfy global product demand have been established and more are under review.

Health and safety: the Group continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.

Figure 1: Key financial performance indicators

	2012	2011	Measure
Financial KPIs (before exceptionals)			
Operating margin	**9%**	4%	Operating profit before financing costs/revenue
Return on capital employed	**15%**	7%	Profit before tax/total assets less current liabilities
Current ratio	**3.9**	4.4	Current assets: current liabilities
Debtor days	**73**	72	Age profile of trade receivables
Creditor days	**35**	41	Age profile of trade payables

Environment: new methods of achieving greater environmental effectiveness are continually being examined.

Key financial performance indicators (KPIs) include the monitoring and management of profitability and working capital.

Key non-financial performance indicators include the monitoring of our employees' health and safety in addition to the Group's environmental impact and energy consumption.

Branches

The Group operates a branch of its 100% owned subsidiary, IndigoVision Limited, in Dubai.

Political and charitable contributions

The Group made charitable donations of £495 (2011: £500) and no political contributions during the year (2011: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

Andrew Fulton	Non Executive Director
Hamish Grossart	Chairman
Holly McComb	Chief Financial Officer (appointed 9 December 2011)
Marcus Kneen	Chief Executive Officer
Oliver Vellacott	Chief Executive Officer (resigned 9 December 2011)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

The directors who served the Company during the year, together with their beneficial interests in the shares of the Company, were as follows:

	Ordinary shares	
	Interest at end of year	Interest at start of year
Hamish Grossart	**418,250**	200,500
Marcus Kneen	**186,474**	177,388
Holly McComb	**5,062**	—
Oliver Vellacott	**—**	1,725,403

The following rights to subscribe for shares in the Company were granted to the directors, or exercised by them, during the financial year:

	Options at start of year	Awarded during year	**Options at end of year**	Weighted average option price per share £	Date range in which options can be exercised
Marcus Kneen	69,069	50,000	**119,069**	£0.89	11/08 – 04/22
Holly McComb	18,708	12,000	**30,708**	£1.57	10/09 – 04/22
Oliver Vellacott	140,178	30,000	**—**	N/A	

Directors' report
continued

Substantial interests

At the date of this report, the Company had been notified in accordance with sections 793 to 828 of the Companies Act 2006 of the following interests of 3% or more in the Company's ordinary share capital:

	Shares	%
Oliver Vellacott	1,714,359	23
Kuiper Ltd	500,000	7
Hamish Grossart	418,250	6
Artemis Investment Management LLP	315,533	4

Employees

The continuing success of the Group greatly depends on its global employees that contribute daily to the achievement of the organisational goals. The Group respects its staff and recognises that they are its most valuable asset. The Group recruits and retains staff globally by offering challenging opportunities, competitive compensation packages and a good working environment. During the year ending 31 July 2012, the Company has recruited across all disciplines within the business, with particular focus on engineering, sales and support resources to drive continued performance improvement.

The Group strives to provide a working environment which encourages continuous learning and development for all employees and is committed to effective investment to achieve the business goals.

The Company is committed to employee involvement throughout the business and operates a number of share option, share incentive and long term incentive plans. The Company has established an offshore Employee Benefit Trust in connection with these plans.

Employees with disabilities

The Company's policy is to give full and fair consideration to suitable applications from people with disabilities for employment. If existing employees become disabled they will continue to be employed, wherever practicable, in the same job or, if this is not practicable, every effort will be made to find suitable alternative employment and to provide appropriate training.

Policy and practice on payment of creditors

It is the Company's and the Group's policy to agree terms and conditions for its business transactions with its suppliers. The Group does not follow any code or standard on payment practice, however it seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. As at 31 July 2012 the number of days of annual purchases represented by the year-end creditors for the Group, amounted to 35 (2011: 41).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Alistair G Black
Secretary
Edinburgh
26 September 2012

Statement of directors' responsibilities

In respect of the directors' report and consolidated financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of IndigoVision Group plc

We have audited the financial statements of IndigoVision Group plc for the year ended 31 July 2012 set out on pages 9 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and to express and opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG Audit plc, Statutory Auditor
Edinburgh
26 September 2012

Consolidated statement of comprehensive income

For the year ended 31 July 2012

£000	Note	2012 Before exceptional items	2012 Exceptional items (note 3)	2012 Total	2011 Total
Revenue	2	**30,266**	**—**	**30,266**	28,886
Cost of sales		**(12,410)**	**—**	**(12,410)**	(12,747)
Gross profit		**17,856**	**—**	**17,856**	16,139
Research and development expenses		**(3,373)**	**—**	**(3,373)**	(3,001)
Selling and distribution expenses		**(9,272)**	**—**	**(9,272)**	(9,481)
Administrative expenses		**(2,550)**	**(299)**	**(2,849)**	(2,465)
Operating profit	4	**2,661**	**(299)**	**2,362**	1,192
Financial income	6	**24**	**—**	**24**	21
Profit before tax		**2,685**	**(299)**	**2,386**	1,213
Income tax expense	7	**(780)**	**60**	**(720)**	(588)
Profit for the year attributable to equity holders of the parent		**1,905**	**(239)**	**1,666**	625
Foreign exchange translation differences on foreign operations		**—**	**—**	**—**	(6)
Total comprehensive income for the year attributable to equity holders of the parent		**1,905**	**(239)**	**1,666**	619
Basic earnings per share (pence)	8			**22.2**	8.4
Diluted earnings per share (pence)	8			**21.9**	8.2

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

Consolidated balance sheet

As at 31 July 2012

£000	Note	2012	2011
Non-current assets			
Property, plant and equipment	9	**533**	583
Intangible assets	10	**134**	93
Deferred tax	12	**3,571**	4,278
Total non-current assets		**4,238**	4,954
Current assets			
Inventories	13	**4,955**	4,197
Trade and other receivables	14	**7,937**	7,057
Cash and cash equivalents	15	**5,996**	5,066
Total current assets		**18,888**	16,320
Total assets		**23,126**	21,274
Current liabilities			
Trade and other payables	19	**4,718**	3,489
Provisions	18	**75**	240
Total current liabilities		**4,793**	3,729
Non-current liabilities			
Provisions	18	**25**	25
Total non-current liabilities		**25**	25
Total liabilities		**4,818**	3,754
Net assets		**18,308**	17,520
Equity			
Called up share capital	16	**76**	76
Share premium account	16	**1,611**	1,603
Other reserve	16	**5,146**	5,146
Translation reserve	16	**(29)**	(29)
Profit and loss account	16	**11,504**	10,724
Total equity attributable to equity holders of the parent		**18,308**	17,520

These financial statements were approved by the Board of Directors on 26 September 2012 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Registered number: SC208809

Company balance sheet

As at 31 July 2012

£000	Note	2012	2011
Non-current assets			
Investments	11	**1,469**	1,507
Total non-current assets		**1,469**	1,507
Current assets			
Trade and other receivables	14	**4,145**	2,374
Cash	15	**3,705**	503
Total current assets		**7,850**	2,877
Total assets		**9,319**	4,384
Current liabilities			
Trade and other payables	19	**(12)**	—
Total liabilities		**(12)**	—
Net assets		**9,307**	4,384
Equity			
Called up share capital	16	**76**	76
Share premium account	16	**1,611**	1,603
Profit and loss account	16	**7,620**	2,705
Total equity attributable to equity holders of the parent		**9,307**	4,384

These financial statements were approved by the Board of Directors on 26 September 2012 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Registered number: SC208809

Group statement of changes in equity

As at 31 July 2012

Group	Share capital £000	Share premium £000	Other reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2010	74	1,482	5,146	(23)	10,806	17,485
Profit for the year	—	—	—	(6)	625	619
Share options exercised by employees	2	121	—	—	—	123
Equity-settled transactions, including deferred tax effect	—	—	—	—	160	160
Purchase of own shares	—	—	—	—	(11)	(11)
Dividends paid to equity holders	—	—	—	—	(856)	(856)
Balance at 31 July 2011	76	1,603	5,146	(29)	10,724	17,520
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**

Company statement of changes in equity

As at 31 July 2012

Company	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 August 2010	74	1,482	1,873	3,429
Profit for the year (restated, refer note 1)	—	—	1,510	1,510
Share options exercised by employees	2	121	—	123
Equity-settled transactions, including deferred tax effect	—	—	189	189
Purchase of own shares	—	—	(11)	(11)
Dividend paid to equity holders	—	—	(856)	(856)
Balance at 31 July 2011	76	1,603	2,705	4,384
Balance at 1 August 2011	76	1,603	2,705	4,384
Profit for the year	—	—	5,592	5,592
Share options exercised by employees	—	8	—	8
Equity-settled transactions, including deferred tax effect	—	—	(38)	(38)
Dividend paid to equity holders	—	—	(639)	(639)
Balance at 31 July 2012	**76**	**1,611**	**7,620**	**9,307**

Consolidated statement of cash flows

For the year ended 31 July 2012

£000	Group 2012	2011
Cash flows from operating activities		
Profit for the year	**1,666**	625
Adjusted for:		
Depreciation and amortisation	**356**	305
Financial income	**(24)**	(21)
Share based payment (credit)/expense	**(38)**	189
Foreign exchange (gain)/loss	**(135)**	45
Income tax	**720**	588
Increase in inventories	**(758)**	(207)
(Increase)/decrease in trade and other receivables	**(880)**	989
Increase/(decrease) in trade and other payables	**1,229**	(591)
Decrease in provisions	**(165)**	—
Cash generated from operations	**1,971**	1,922
Income taxes (paid)/refunded	**(5)**	1
Net cash inflow from operating activities	**1,966**	1,923
Cash flows from investing activities		
Interest received	**24**	21
Acquisition of property, plant and equipment	**(253)**	(386)
Acquisition of intangibles	**(93)**	(94)
Net cash outflow from investing activities	**(322)**	(459)
Cash flows from financing activities		
Proceeds from the issue of share capital	**8**	123
Repurchase of own shares	**(176)**	(11)
Dividends paid	**(639)**	(856)
Net cash outflow from financing activities	**(807)**	(744)
Net increase in cash and cash equivalents	**837**	720
Cash and cash equivalents at 1 August	**5,066**	4,431
Effect of exchange rate fluctuations on cash held	**93**	(85)
Cash and cash equivalents at 31 July	**5,996**	5,066

Company statement of cash flows

For the year ended 31 July 2012

£000	Company 2012	2011
Cash flows from operating activities		
Profit for the year (restated, refer note 1)	**5,592**	1,510
Adjusted for:		
Financial income	**(83)**	(54)
Increase in trade and other receivables	**(1,771)**	(263)
Increase in trade and other payables	**12**	—
Dividend received from subsidiary (restated, refer note 1)	**(5,700)**	(1,500)
Cash absorbed by operations	**(1,950)**	(307)
Net cash outflow from operating activities	**(1,950)**	(307)
Cash flows from investing activities		
Interest received	**83**	54
Dividends received	**5,700**	1,500
Net cash inflow from investing activities	**5,783**	1,554
Cash flows from financing activities		
Proceeds from the issue of share capital	**8**	123
Repurchase of own shares	**—**	(11)
Dividends paid	**(639)**	(856)
Net cash outflow from financing activities	**(631)**	(744)
Net increase in cash and cash equivalents	**3,202**	503
Cash and cash equivalents at 1 August	**503**	—
Cash and cash equivalents at 31 July	**3,705**	503

Notes to the consolidated financial statements

1. Significant accounting policies

IndigoVision Group plc (the "Company") is a Company domiciled and registered in Scotland. The consolidated financial statements of the Company for the year ended 31 July 2012 comprise those of the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors on 26 September 2012.

(a) Statement of compliance

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

(b) Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 4 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 4 to 6. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term relationships with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Group continues to operate with sufficient cash resources and is forecast to continue to do so during the relevant forecast period; if necessary by taking mitigating steps in periods when the headroom on available resources is small. After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All subsidiaries have 31 July as their year end.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iii) Investments in subsidiaries

Investments by the Company in subsidiaries are carried at cost less provision for any impairment.

1. Significant accounting policies continued

(d) Foreign currency

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate approximating to that at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the date of the transaction.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised within comprehensive income and as a separate component of equity.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Fixtures and fittings 5–10 years
- Plant and equipment 3–5 years
- Computer hardware 3 years

The residual value, if not insignificant, is reassessed annually.

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

An internally generated intangible asset arising from the Group's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- the project from which the asset arises meets the Group's criteria for assessing technical feasibility;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

(ii) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method over the softwares' estimated useful lives (one to three years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

1. Significant accounting policies continued

(g) Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and is the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy h), trade and other receivables (see accounting policy g) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy j(i)).

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing fair value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment

An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction from equity. Dividends are recognised as a liability in the year in which they are approved by the shareholders.

(l) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions

The Group's share option programme allows eligible employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that meet the related service and non-market performance conditions at the vesting date, except where forfeiture is only due to share prices not achieving the threshold for vesting.

The proceeds received net of any directly attributable expenses are credited to share capital and share premium when the options are exercised.

Where the Company grants share options to the employees of its subsidiaries, it recognises an increase in the cost of its investment in its subsidiaries equivalent to the equity-settled share based payment charge in the consolidated financial statement. The corresponding credit is recognised in equity.

1. Significant accounting policies continued

(l) Employee benefits continued

(iii) Long Term Incentive Plan

The Company has established the IndigoVision Group plc 2008 Long Term Incentive Plan (the LTIP). All employees and executive directors of the Group are eligible to be granted awards. The grant date fair value of conditional shares and share option awards is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The fair values of the awards are measured using a valuation model, taking into account the terms and conditions upon which the LTIPs were granted.

(iv) Share Incentive Plans

The Group has established four share incentive plans to enable all employees and sales agents to purchase or notionally purchase shares in the Company: The HMRC approved IndigoVision Group plc Share Incentive Plan 2010 ("The UK employee scheme"); the IndigoVision Inc 2010 Restricted Stock Unit Plan; the International Agents Incentive Plan; and the International Employee's Incentive Plan.

The Company matches each share purchased through the UK employee scheme on a 1:1 basis. The fair value of the free matching share is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the shares were granted, and spreads the value over the three year vesting period.

The IndigoVision Inc 2010 Restricted Stock Unit Plan, the International Agents Incentive Plan and the International Employee's Incentive Plan are cash settled plans. The Company matches each share notionally purchased through these schemes on a 1:1 basis. The Group accounts for the liability for the free notional share by marking to market at each financial year end.

(m) Employee share trusts

The Company has established a share trust, "The IndigoVision Group plc Employee Benefit Trust" which is separately administered and funded by loans from the Company. The Company recognises the assets and liabilities of the Trust in its own accounts.

(n) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Trade and other payables

Trade and other payables are not interest bearing and are stated at their fair value.

(p) Revenue

Revenue comprises income from the sale of goods, income from technical support activities, income from the sales of software upgrade contracts for one to three years in length, royalty income earned during the year, and excludes sales taxes.

(i) Product revenues

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer which is when the goods have been despatched from the warehouse.

(ii) Technical support activities

Revenue from technical support activities is recognised on completion of the service.

(iii) Software upgrade contracts

Revenue from the sale of software upgrade contracts for one to three years in length is deferred on the balance sheet and recognised in the income statement on a straight-line basis over the length of the contract.

(iv) Royalty income

Royalty income represents revenue earned from software licence agreements. Such revenue is earned and income is recognised when the software sales, for which royalty is due, are confirmed to the Group.

1. Significant accounting policies continued

(q) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Net financing income

Net financing income comprises interest payable on the bank overdraft facility and interest receivable on cash deposits.

(r) Income tax

The tax expense represents the sum of the current taxes payable and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current tax payable is based on taxable income for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset recognised to be recovered. Deferred tax is calculated using tax rates that are enacted or substantially enacted at the balance sheet date.

(s) Earnings per share

Basic earnings per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding shares held by the Employee Benefit Trust and shares held in treasury, which are treated as cancelled. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potentially dilutive ordinary shares, which comprise share options granted.

(t) Exceptional costs

Exceptional items are events or transactions which, by virtue of their size or nature, have been disclosed in order to improve the reader's understanding of the financial statements.

(u) Company prior year restatement

In the 2011 financial statements, a dividend received from the subsidiary of the Company was included as a movement in equity rather than the Company's profit for the year. Both the Company's Statement of Changes in Equity (page 13) and the Company's Statement of Cash Flows (page 15) have therefore been restated. The effect of making this adjustment is to increase the Company's profit for the year ended 31 July 2011 and reduce other movements in equity by £1.5m. There is no effect on the Company's assets or liabilities.

(v) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the year ended 31 July 2012 and have not been adopted early by the Group:

- IFRS 9 Financial Instruments issued in December 2009. This addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption;
- amendments to IAS 1 Financial Statement Presentation issued in June 2011. These amendments improve how components of other comprehensive income are presented. The new requirements are effective for annual periods beginning on or after 1 July 2012;
- IFRS 13 Fair Value Measurement. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The new requirements are effective for annual periods beginning on or after 1 January 2012, with earlier application permitted; and
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, issued in May 2011. IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements. IFRS 11 Joint Arrangements establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13-Jointly Controlled Entities-Non-monetary Contributions by Venturers. IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued amended and retitled IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The new requirements are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

2. Segment reporting

The Board has determined that the segment reporting format is geographical, based on the Group's management and internal reporting structure.

The Board reviews the Group's internal reporting in order to assess performance and to allocate resources. The Board assesses the performance of the following geographical regions: Europe, Middle East and Africa (EMEA), North America, Latin America and Asia Pacific and has therefore determined these as the operating segments.

The Board considers the performance of the operating segments based on gross margin after attributable overheads. The operating segments derive their revenue from the sale of software and hardware products, services and royalties. The information provided to the Board is measured in a manner which is consistent with the financial statements.

The assets allocated to the operating segments are trade receivables for sales made to customers in these regions and assets owned by subsidiaries in these regions. The liabilities allocated to operating segments are liabilities of subsidiaries in these regions. Unallocated assets and liabilities are utilised and managed centrally for all geographical sales segments.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Operating segments

		Europe Middle East and Africa		North America		Latin America		Asia Pacific		Unallocated		Group	
	Notes	**2012 £000**	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Segment revenue		**10,941**	12,031	**8,108**	7,721	**6,064**	3,890	**5,213**	5,280	**(60)**	(36)	**30,266**	28,886
Segment result		**3,758**	3,533	**2,661**	2,314	**2,102**	1,024	**1,746**	1,686	**—**	—	**10,267**	8,557
Unallocated expenses		**—**	—	**—**	—	**—**	—	**—**	—	**(7,905)**	(7,365)	**(7,905)**	(7,365)
Operating profit												**2,362**	1,192
Net financing income	6											**24**	21
Profit before tax												**2,386**	1,213
Income tax expense	7											**(720)**	(588)
Profit for the year												**1,666**	625
Assets		**1,981**	2,568	**1,967**	1,847	**2,179**	798	**1,483**	1,468	**15,516**	14,593	**23,126**	21,274
Liabilities		**(9)**	(16)	**(89)**	(93)	**—**	—	**—**	—	**(4,720)**	(3,645)	**(4,818)**	(3,754)
Expenditure incurred on segment non-current assets		**—**	—	**9**	12	**—**	—	**—**	—	**337**	468	**346**	480
Depreciation and amortisation		**—**	—	**37**	39	**—**	—	**—**	—	**319**	266	**356**	305

Revenues derived from external customers based in the UK amounted to £3,877,000 (2011: £4,986,000).

All sales are to third parties. All segment results are from continuing activities.

Notes to the consolidated financial statements
continued

2. Segment reporting continued

Analysis of revenue

	2012 £000	2011 £000
Revenues from:		
Products sold	**29,452**	28,646
Support services and royalty income	**234**	203
Software upgrade contracts	**580**	37
	30,266	28,886

3. Exceptional costs

		2012 £000	2011 £000
Reorganisation of the Board	a	**211**	—
Professional fees	b	**88**	—
		299	—

a. Compensation for loss of office.
b. Professional advisory fees related to a requisitioned general meeting, subsequently withdrawn, and a potential offer for the Company, subsequently declined.

4. Operating profit

	2012 £000	2011 £000
Operating profit is stated after charging/(crediting):		
Depreciation and amortisation	**356**	305
Net write down of inventories to realisable value	**75**	(54)
Allowance for doubtful trade receivables	**165**	34
Research & Development expenditure	**3,373**	3,001
Gain/(loss) on foreign exchange transactions and translation	**134**	(135)
Share based payment (credit)/expense	**(38)**	189
Audit of these financial statements (Group and Company)	**11**	11
Amounts received by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**22**	23
All other services	**—**	8

5. Personnel expenses

	2012 £000	2011 £000
Group and Company		
Wages and salaries[1]	**5,303**	4,974
Compulsory social security contributions[2]	**542**	500
Contributions to defined contribution plans	**167**	172
Equity-settled share based payment transactions	**(38)**	189
	5,974	5,835

1. Includes exceptional costs of £185,000 (2011: £nil).
2. Includes exceptional costs of £26,000 (2011: £nil).

The figures above include the directors' remuneration which is disclosed separately on page 23.

5. Personnel expenses continued

	2012 Number	2011 Number
Average number of employees, including executive directors and excluding retained agents, by activity		
Selling and distribution	**38**	38
Research & Development	**52**	51
Administration	**17**	17
	107	106

	2012 £000	2011 £000
Remuneration of directors		
Directors' emoluments	**710**	383
Company contributions to money purchase pension schemes	**18**	19
	728	402

Directors' emoluments include £185,000 compensation for loss of office (2011: £nil).

	Number of directors	
	2012 Number	2011 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
The number of directors who exercised share options	**—**	—

The directors who served during the year and their remuneration for the year (or period of employment during the year where shorter) are shown below:

Director	Salary/ fees £000	Benefits £000	Total before pension £000	Pension contributions £000	2012 Total £000	2011 Total £000
Executive						
Marcus Kneen	274	12	286	10	**296**	144
Holly McComb (appointed 9 December 2011)	81	1	82	3	**85**	—
Oliver Vellacott (resigned 9 December 2011)	247	5	252	5	**257**	196
Non Executive						
Andrew Fulton	30	—	30	—	**30**	10
Hamish Grossart	60	—	60	—	**60**	47
Robert Cathery	—	—	—	—	**—**	5
	692	18	710	18	**728**	402

Included in salary/fees is an amount of £185,000 paid to Oliver Vellacott as compensation for loss of office.

6. Net financing income

	2012 £000	2011 £000
Bank interest receivable	**24**	21
Financial income	**24**	21

7. Income tax expense

Recognised in the income statement

	2012 £000	2011 £000
Current tax expense		
UK tax	**2**	2
Overseas tax	**13**	15
Overseas tax – prior year adjustment	**(2)**	—
	13	17
Deferred tax expense		
Origination and reversal of temporary differences	**365**	635
Reduction in tax rate	**342**	—
Adjustments relating to prior year trading losses	**—**	(64)
	707	571
Total income tax charge in income statement	**720**	588

Reconciliation of effective tax rate

	2012		2011	
	%	£000	%	£000
Profit before tax		**2,386**		1,213
Income tax using the UK corporation tax rate	**20%**	**477**	26%	315
Non-deductible expenses	**5.8%**	**28**	20.9%	66
Net tax relief on share options	**(1.7%)**	**(8)**	(3.5%)	(11)
Research & Development tax credit	**(39.0%)**	**(186)**	(19.4%)	(61)
Adjustments relating to prior year trading losses	**—**	**—**	(20.3%)	(64)
Capital allowances in excess of depreciation	**1.3%**	**6**	—	—
Prior year adjustment – current tax	**(0.4%)**	**(2)**	—	—
Overseas taxes payable	**2.7%**	**13**	—	—
Timing differences	**10.5%**	**50**	—	—
Effect of tax rate change on deferred tax asset	**71.7%**	**342**	108.9%	343
	150.9%	**720**	186.7%	588

At 31 July 2012 tax losses generated outside the UK available for offset against future profits, amounted to approximately £1.5m (2011: £1.5m); using an income tax rate of 20% (2011: 25%) this is equivalent to an asset of £0.3m (2011: £0.4m). However, due to continuing uncertainty over the timing of suitable profits and the fact that such losses will eventually time expire, no asset is currently being recognised in the consolidated financial statements in respect of such losses.

8. Earnings per share

	2012 £000	2011 £000
Earnings per share		
Profit for the year attributable to equity shareholders (basic and diluted) after exceptional items	**1,666**	625

	Pence	Pence
Basic earnings per share	**22.2**	8.4
Diluted earnings per share	**21.9**	8.2

	2012 £000	2011 £000
Adjusted earnings per share		
Profit for the year attributable to equity shareholders (basic and diluted) before exceptional items	**1,905**	625

	Pence	Pence
Adjusted basic earnings per share	**25.4**	8.4
Adjusted diluted earnings per share	**25.0**	8.2

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:

	2012 Number of shares	2011 Number of shares
Issued ordinary shares at start of year	**7,541,896**	7,371,776
Effect of weighted average number of shares issued during the year from exercise of employee share options	**966**	123,682
Effect of purchase of own shares	**(35,663)**	(20,815)
Weighted average number of ordinary shares for the year – for basic earnings per share	**7,507,199**	7,474,643
Effect of share options in issue	**109,000**	174,380
Weighted average number of ordinary shares for the year – for diluted earnings per share	**7,616,199**	7,649,023

Basic earnings per share

The calculation of basic earnings per share for the year ending 31 July 2012 was based on the profit attributable to equity shareholders of £1,666,000 (2011: £625,000) and a weighted average number of ordinary shares during the year ending 31 July 2012 of 7,507,199 (2011: 7,474,643), calculated as shown above.

Diluted earnings per share

The calculation of diluted earnings per share for the year ending 31 July 2012 was based on the profit attributable to equity shareholders of £1,666,000 (2011: £625,000) and a weighted average number of ordinary shares during the year ending 31 July 2012 of 7,616,199 (2011: 7,649,023), calculated as shown above.

Adjusted basic and diluted earnings per share

The calculation of adjusted earnings per share for the year ending 31 July 2012 was based on the profit attributable to equity shareholders of £1,905,000 before deduction of exceptional items (2011: £625,000). This has been presented in order to highlight the underlying performance of the Group.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

9. Property, plant and equipment

Group	Property, plant and equipment £000	Fixtures and fittings £000	Computer hardware £000	**Total £000**
Cost				
Balance at 1 August 2010	512	394	736	**1,642**
Additions	111	157	118	**386**
Disposals	(4)	(270)	(192)	**(466)**
Effect of movements in foreign exchange	—	(3)	(5)	**(8)**
Balance at 31 July 2011	619	278	657	**1,554**
Balance at 1 August 2011	619	278	657	**1,554**
Additions	66	99	88	**253**
Disposals	(22)	—	(71)	**(93)**
Effect of movements in foreign exchange	—	2	4	**6**
Balance at 31 July 2012	663	379	678	**1,720**
Depreciation				
Balance at 1 August 2010	330	307	514	**1,151**
Depreciation charge for the year	103	42	137	**282**
Disposals	—	(267)	(191)	**(458)**
Effect of movements in foreign exchange	—	(1)	(3)	**(4)**
Balance at 31 July 2011	433	81	457	**971**
Balance at 1 August 2011	433	81	457	**971**
Depreciation charge for the year	105	72	127	**304**
Disposals	(21)	—	(70)	**(91)**
Effect of movements in foreign exchange	—	1	2	**3**
Balance at 31 July 2012	517	154	516	**1,187**
Carrying amounts				
At 1 August 2010	182	87	222	**491**
At 31 July 2011	186	197	200	**583**
At 1 August 2011	186	197	200	**583**
At 31 July 2012	146	225	162	**533**

10. Intangible assets

	Computer software £000
Cost	
Balance at 1 August 2010	**91**
Additions	**94**
Balance at 31 July 2011	**185**
Balance at 1 August 2011	**185**
Additions	**93**
Balance at 31 July 2012	**278**
Amortisation and impairment losses	
Balance at 1 August 2010	**69**
Amortisation for the year	**23**
Balance at 31 July 2011	**92**
Balance at 1 August 2011	**92**
Amortisation for the year	**52**
Balance at 31 July 2012	**144**
Carrying amounts	
At 1 August 2010	**22**
At 31 July 2011	**93**
At 1 August 2011	**93**
At 31 July 2012	**134**

11. Investments in subsidiaries

Company	2012 £000	2011 £000
Cost		
At 1 August	**1,507**	1,318
(Decrease)/increase in respect of share based payments	**(38)**	189
At 31 July	**1,469**	1,507

The Company owns 2,429,041 ordinary shares of 10 pence each (100%) of IndigoVision Limited, a Company registered in Scotland. The principal activity of the Company is the design, development, manufacture and sale of software and hardware products. IndigoVision Limited owns 100,000 common stock shares of $0.01 (100%) of IndigoVision Inc, a Company incorporated in the USA. Its principal activity is the marketing of the Group's software and hardware products as well as product assembly and warehousing.

12. Deferred tax assets and liabilities

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2012 £000	2011 £000
Employee benefits – share based payments		
Value of tax losses carried forward	**43**	63
Depreciation in excess of capital allowances	**3,427**	4,105
Other timing differences	**96**	107
Tax assets	**5**	3
	3,571	4,278

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the current year in respect of the following items:

	2012 £000	2011 £000
Tax losses – non UK	**294**	387
	294	387

Movement in temporary differences during the year

	Balance 1 August 2010 £000	Recognised in income £000	Recognised in equity £000	Balance 31 July 2011 £000
Employee benefits – share-based payments	250	(187)	—	63
Tax value of losses carried forward	4,495	(390)	—	4,105
Capital allowances in excess of depreciation	102	5	—	107
Other timing differences	3	—	—	3
	4,850	(572)	—	4,278

	Balance 1 August 2011 £000	Recognised in income £000	Recognised in equity £000	**Balance 31 July 2012 £000**
Employee benefits – share-based payments	63	(20)	—	**43**
Tax value of losses carried forward	4,105	(678)	—	**3,427**
Capital allowances in excess of depreciation	107	(11)	—	**96**
Other timing differences	3	2	—	**5**
	4,278	(707)	—	**3,571**

13. Inventories

	2012 £000	2011 £000
Raw materials and consumables	**1,464**	1,212
Finished goods	**3,491**	2,985
	4,955	4,197

The write-down of inventories to net realisable value amounted to £75,000 (2011: write-back of £54,000). Utilisation of provisions amounted to £5,000. In the year, raw material, consumables and changes to finished goods recognised as cost of sales amounted to £12,250,000 (2011: £12,518,000).

14. Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Trade receivables	**7,383**	6,445	**—**	—
Amounts due from subsidiary undertakings	**—**	—	**3,894**	2,300
Amounts due from other related parties	**—**	—	**251**	74
Other receivables	**199**	297	**—**	—
Prepayments and accrued income	**355**	315	**—**	—
	7,937	7,057	**4,145**	2,374

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

15. Cash and cash equivalents

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Bank balances	**2,015**	2,994	**—**	503
Bank deposits	**3,981**	2,072	**3,705**	—
Cash and cash equivalents in the statement of cash flows	**5,996**	5,066	**3,705**	503

The Group's exposure to interest rate risk is disclosed in note 20.

16. Capital and reserves

	Ordinary shares	
	As at 31 July 2012 Number of shares	As at 31 July 2011 Number of shares
In issue at start of year	**7,541,896**	7,371,776
Issued for cash on exercise of employee share options	**10,380**	170,120
In issue at end of year – fully paid	**7,552,276**	7,541,896

At 31 July 2012, the issued share capital comprised 7,552,276 ordinary shares (2011: 7,541,896) which have a nominal value of 1 pence per share. All issued shares are fully paid.

The holders of ordinary shares are entitled to one vote per share at meetings of the Company and are entitled to receive dividends as recommended by the directors. The holders of ordinary shares also have an unlimited right to share in the surplus remaining on winding up after all creditors are satisfied.

During the year 10,380 ordinary shares of 1 penny each were issued, 5,380 at 194.5 pence per share and 5,000 at 65 pence per share pursuant to the exercise of options.

Share premium

The share premium arose primarily on 2 August 2000 when the Company was listed on the London Alternative Investment Market.

Translation reserve

The translation reserve comprises all foreign exchange differences from 1 August 2006, the IFRS transition date, arising from the translation of the financial statements of the overseas subsidiary IndigoVision Inc.

Other reserve

The other reserve arose on the acquisition of IndigoVision Limited in 2000 prior to listing on the London Stock Exchange and merger accounting, which was permitted under applicable accounting standards at that time, was adopted. As this was before the date of transition to IFRS, advantage has been taken of the provisions of IFRS 1 such that the accounting for this business combination has not been restated.

Employee Benefit Trust

Offset within the profit and loss account is an amount of £250,000 (2011: £74,000) representing the cost of own shares held within the Employee Benefit Trust. The nominal value of own shares held is £700.

17. Share-based payments

Share option schemes

The Group has established a number of share option schemes that entitle directors, senior management and other employees to purchase shares in the Company. Grants have been made of share options in the period from 2000 to date.

The Approved Share Option Schemes

The Group has two approved share options schemes: The 2000 Approved Share Option Scheme and the 2008 Approved Share Option Scheme, which was introduced to replace the 2000 Approved Share Option Scheme.

Under these plans the remuneration committee may grant eligible employees in the United Kingdom share options under the terms and conditions of HM Revenue and Customs approved share option plans. The scheme is open to all employees in the United Kingdom.

The Unapproved Share Option Schemes

The Group has two unapproved share option schemes: The 2000 Unapproved Share Option Scheme and the 2008 Unapproved Share Option Scheme, which was introduced to replace the 2000 Unapproved Share Option Scheme.

Under these plans the remuneration committee may grant eligible employees in the United Kingdom and Dubai share options that exceed the value limit of the HM Revenue and Customs approved share option plan. Options granted under this scheme may be exercised between three and ten years from the grant date. The scheme is open to all employees in the United Kingdom and Dubai.

The Stock Option/Stock Issuance Plans

The Group has two stock options plans: The 2000 Stock Option/Stock Issuance Plan and the 2008 Stock Option Plan, which was introduced to replace the 2000 Stock Option/Stock Issuance Plan.

These plans are intended to promote the interests of the Group by giving incentives to eligible employees and other consultants or advisors to the Group based in the United States of America. The remuneration committee has sole discretion to grant options and determine in each case the terms and conditions that apply to each agreement.

Stand-Alone Option Agreements

The remuneration committee has sole discretion to grant share options through stand-alone option agreements to sales agents or other consultants or advisors to the Group. The remuneration committee can determine the terms and conditions that apply to each agreement.

The Long Term Incentive Plan (LTIP)

On 3 June 2008, the Company established the IndigoVision Group plc 2008 Long Term Incentive Plan. This plan is intended to award share options and/or conditional share awards to selected employees of the Group.

The Share Incentive Plan 2010 (SIP)

On 10 August 2010, the Company established the IndigoVision Group plc Share Incentive Plan 2010, approved by HM Revenue and Customs and open to all employees in the United Kingdom. Under the HM Revenue and Customs approved limits, employees may purchase from a minimum of £10 to a maximum of £125 worth of shares per month from a deduction made from gross pay. The Company matches each share purchased by employees on a 1:1 basis. Employees may redeem their shares at anytime; however, if this is before the third anniversary of the purchase, the Company's matching shares will be forfeited. The SIP scheme is administered by the Yorkshire Building Society.

The International Agent's Share Incentive Plan

In October 2010, the Company established the IndigoVision Group plc Agent's Share Incentive Plan. This is a cash-settled incentive plan which allows international agents to notionally purchase £1,500 of shares in the Company each year. The Company notionally matches each share purchased on 1:1 basis. The agent may redeem their notional share purchase at any time, but if this is before the third anniversary of the purchase, the Company's notional matching shares will be forfeited.

The 2010 Restricted Stock Unit Plan (RSU)

In October 2010, the US subsidiary of the Company, IndigoVision Inc, established the 2010 RSU plan. This is a cash-settled incentive plan which allows all employees in the USA to notionally purchase $2,400 of shares in the Company each year. The Company notionally matches each share purchased on 1:1 basis. The employee may redeem their notional share purchase at any time, but if this is before the third anniversary of the purchase, the Company's notional matching shares will be forfeited.

The Employee Benefit Trust

On 3 June 2008, in connection with establishing the Long Term Incentive Plan, the Company established the IndigoVision Group plc Employee Benefit Trust for the purpose of encouraging and facilitating the acquisition and holding of shares in the Company for the benefit of employees of the Group. As at 31 July 2012, 70,000 shares in the Company had been acquired by the Employee Benefit Trust.

17. Share-based payments continued

Share option plans

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date	Number of instruments originally granted	Vesting conditions	Contractual life of options
The 2000 Approved Share Option Plan			
30 July 2003	316,428	3 years from date of grant	10 years
19 December 2003	44,000	3 years from date of grant	10 years
23 April 2004	91,796	3 years from date of grant	10 years
3 May 2004	20,000	3 years from date of grant	10 years
12 November 2004	68,500	3 years from date of grant	10 years
1 November 2005	99,727	3 years from date of grant	10 years
16 March 2006	30,140	3 years from date of grant	10 years
25 October 2006	35,000	3 years from date of grant	10 years
16 April 2007	20,973	3 years from date of grant	10 years
3 October 2007	25,548	3 years from date of grant	10 years
The 2008 Approved Share Option Plan			
17 October 2008	11,500	3 years from date of grant	10 years
29 April 2010	7,611	3 years from date of grant	10 years
20 April 2012	18,000	3 years from date of grant	10 years
The 2000 Unapproved Share Option Plan			
30 July 2003	35,572	3 years from date of grant	10 years
23 April 2004	54,704	3 years from date of grant	10 years
12 November 2004	99,000	3 years from date of grant	10 years
1 November 2005	150,273	3 years from date of grant	10 years
16 March 2006	7,860	3 years from date of grant	10 years
25 October 2006	30,500	3 years from date of grant	10 years
16 April 2007	34,027	3 years from date of grant	10 years
3 October 2007	37,952	3 years from date of grant	10 years
The 2008 Unapproved Share Option Plan			
17 October 2008	11,800	3 years from date of grant	10 years
29 April 2010	6,389	3 years from date of grant	10 years
The 2000 Stock Option/Issuance Plan			
19 December 2003	4,000	Individually determined (typically 3 years)	10 years
23 April 2004	6,000	Individually determined (typically 3 years)	10 years
12 November 2004	4,000	Individually determined (typically 3 years)	10 years
1 November 2005	7,000	Individually determined (typically 3 years)	10 years
16 June 2006	5,000	Individually determined (typically 3 years)	10 years
25 October 2006	1,500	Individually determined (typically 3 years)	10 years
16 April 2007	3,000	Individually determined (typically 3 years)	10 years

17. Share-based payments continued

Share option plans continued

Grant date	Number of instruments originally granted	Vesting conditions	Contractual life of options
The 2008 Stock Option/Issuance Plan			
3 October 2007	1,000	Individually determined (typically 3 years)	10 years
17 October 2008	2,700	Individually determined (typically 3 years)	10 years
29 April 2010	1,000	Individually determined (typically 3 years)	10 years
The Stand-Alone Option Agreements			
30 July 2003	2,000	Individually determined (typically 3 years)	10 years
19 December 2003	4,000	Individually determined (typically 3 years)	10 years
23 April 2004	6,000	Individually determined (typically 3 years)	10 years
12 November 2004	15,000	Individually determined (typically 3 years)	10 years
1 November 2005	18,000	Individually determined (typically 3 years)	10 years
16 June 2006	25,000	Individually determined (typically 3 years)	10 years
25 October 2006	1,000	Individually determined (typically 3 years)	10 years
16 April 2007	13,000	Individually determined (typically 3 years)	10 years
3 October 2007	6,500	Individually determined (typically 3 years)	10 years
14 April 2008	10,000	Individually determined (typically 3 years)	10 years
17 October 2008	13,500	Individually determined (typically 3 years)	10 years
29 April 2010	44,000	Individually determined (typically 3 years)	10 years
18 November 2010	33,000	Individually determined (typically 3 years)	10 years
27 January 2011	11,000	Individually determined (typically 3 years)	10 years
20 April 2012	56,000	Individually determined (typically 3 years)	10 years
The Long Term Incentive Plan			
17 October 2008	38,000	Individually determined (typically 3 years)	10 years
27 April 2010	55,801	Individually determined (typically 3 years)	10 years
11 June 2010	13,000	Individually determined (typically 3 years)	10 years
18 November 2010	69,000	Individually determined (typically 3 years)	10 years
27 January 2011	1,000	Individually determined (typically 3 years)	10 years
30 January 2012	50,000	Individually determined (typically 3 years)	10 years
20 April 2012	44,000	Individually determined (typically 3 years)	10 years

17. Share-based payments continued

Share option plans continued

The number and weighted average exercise prices of unexercised share options are as follows:

	2012		2011	
	Weighted average exercise price £	**Number of options**	Weighted average exercise price £	Number of options
The 2000 Approved Share Option Plan				
Outstanding at the beginning of the year	**4.52**	**89,940**	3.01	199,078
Forfeited during the year	**5.74**	**(12,000)**	8.14	(18,804)
Exercised during the year	**1.46**	**(5,380)**	0.43	(90,334)
Outstanding at the end of the year	**4.56**	**72,560**	4.52	89,940
The 2000 Unapproved Share Option Plan				
Outstanding at the beginning of the year	**2.95**	**161,440**	3.36	290,922
Forfeited during the year	**2.28**	**(110,000)**	7.92	(53,696)
Exercised during the year	**—**	**—**	1.01	(75,786)
Outstanding at the end of the year	**4.39**	**51,440**	2.95	161,440
The 2000 Stock Option/Stock Issuance Plan				
Outstanding at the beginning of the year	**2.60**	**6,500**	2.60	6,500
Outstanding at the end of the year	**2.60**	**6,500**	2.60	6,500
The 2008 Approved Share Option Plan				
Outstanding at the beginning of the year	**4.38**	**13,611**	4.48	17,211
Granted during the year	**3.53**	**18,000**	—	—
Forfeited during the year	**4.06**	**(3,700)**	4.84	(3,600)
Outstanding at the end of the year	**3.87**	**27,911**	4.38	13,611
The 2008 Unapproved Share Option Plan				
Outstanding at the beginning of the year	**4.52**	**13,689**	4.39	18,189
Forfeited during the year	**4.06**	**(4,100)**	4.06	(4,500)
Exercised during the year	**—**	**—**	—	—
Outstanding at the end of the year	**4.69**	**9,589**	4.52	13,689
The 2008 Stock Option Plan				
Outstanding at the beginning of the year	**5.61**	**2,700**	5.65	3,500
Forfeited during the year	**4.65**	**(1,600)**	4.06	(800)
Outstanding at the end of the year	**8.26**	**1,100**	5.61	2,700
The Stand Alone Option Agreements				
Outstanding at the beginning of the year	**1.85**	**122,000**	2.75	102,400
Granted during the year	**—**	**56,000**	0.01	44,000
Forfeited during the year	**5.32**	**(24,500)**	2.32	(20,400)
Exercised during the year	**—**	**—**	1.95	(4,000)
Outstanding at the end of the year	**2.08**	**153,500**	1.85	122,000

17. Share-based payments continued

Share option plans continued

The weighted average share price at the date of exercise of share options exercised during the year was £1.46 (2011: £5.09).

The options outstanding at the year-end have an exercise price in the range of £0.00 to £8.68 (2011: £0.35 to £12.30) and a weighted average remaining contractual life of 6.1 years (2011: 4.4 years).

The options outstanding at 31 July 2012 have an exercise price in the ranges summarised below:

Exercise price range	Number of options outstanding at 31 July 2012	Weighted average remaining contractual life (years)
£0.00 – £0.65	**118,000**	3.1
£1.945 – £4.06	**70,100**	0.9
£4.490 – £5.683	**93,500**	1.5
£7.30 – £8.683	**41,000**	0.6
	322,600	6.1

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on the Black-Scholes model. The model has used an expected life of options of between 3.5 and 4 years, a risk free discount rate of between 1.19% and 5.75% and historic share price volatility at the date of grant range of between 49.4% and 72.2%.

	2012 Number of options	2011 Number of options
LTIPs		
Outstanding at the beginning of the year	**139,410**	106,801
Granted during the year	**94,000**	70,000
Forfeited during the year	**(78,650)**	(37,391)
Outstanding at the end of the year	**154,760**	139,410

The total credit recognised for the year arising from share based payments was £38,000 (2011: expense £189,000).

Recognised in income statement	2012 £000	2011 £000
Share options granted in 2007	**—**	1
Share options granted in 2008	**—**	27
Share options granted in 2009	**(6)**	—
Share options granted in 2010	**—**	153
Share options granted in 2011	**(86)**	8
Share options granted in 2012	**54**	—
Total (credit)/expense recognised as employee costs (note 5)	**(38)**	189

18. Provisions

Product warranties	2012 £000	2011 £000
Balance at 1 August	**265**	265
Provision made during the year	**261**	318
Provision used during the year	**(426)**	(318)
Balance at 31 July	**100**	265
Non-current	**25**	25
Current	**75**	240
	100	265

The provision relates to possible claims on products sold during the two year warranty period granted at the point of sale. The provision has been based on analysis of product introductions and instances of actual goods returned.

19. Trade and other payables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade payables	**2,922**	2,434	**—**	—
Taxation and social security	**113**	121	**—**	—
Other payables	**97**	77	**—**	—
Accruals and deferred income	**1,586**	857	**12**	—
	4,718	3,489	**12**	—

Within other payables £4,000 (2011: £1,000) relates to non-current liabilities in respect of the International Agents Incentive Plan.

20. Financial instruments

The Group's principal financial instruments as at 31 July 2012 consist of cash and cash equivalents which are used to finance Group operations together with trade receivables and trade payables which arise directly from the Group's operations.

During the years ended 31 July 2012 and 31 July 2011, the Group did not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk during the normal course of business.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The exposure to credit risk is mitigated by selling to a wide range of customers and, where necessary, obtaining payments in advance or letters of credit. Credit evaluations are performed on all customers requiring credit. The Group establishes a specific allowance for impairment if a loss is estimated in respect of trade and other receivables.

Counterparties for cash and short-term deposits are restricted to financial institutions which have a high credit rating.

20. Financial instruments continued

Credit risk continued

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As at the reporting date, the maximum exposure to credit risk was:

		Group		Company	
	Note	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Trade and other receivables	14	**7,937**	7,057	**4,145**	2,374
Cash and cash equivalents	15	**5,996**	5,066	**3,705**	503
		13,933	12,123	**7,850**	2,877

The Company has no exposure to trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2012 £000	2011 £000
Europe, Middle East and Africa	**1,959**	2,553
North America	**1,763**	1,626
Latin America	**2,178**	798
Asia Pacific	**1,483**	1,468
	7,383	6,445

Impairment losses

The aged profile of trade receivables at the reporting date was:

Group	**Gross 2012 £000**	**Impairment 2012 £000**	Gross 2011 £000	Impairment 2011 £000
Not past due	**4,684**	**—**	3,413	—
0–30 days overdue	**1,357**	**—**	1,761	—
31–60 days overdue	**199**	**—**	534	—
More than 61 days overdue	**1,312**	**(169)**	827	(90)
	7,552	**(169)**	6,535	(90)

The allowance in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the outstanding amount is possible. At that point, the amount considered irrecoverable is written off against the trade receivables directly. Based on past experience, the Group believes no further impairment allowance is necessary in respect of trade receivables which are past due.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2012 £000	2011 £000
Balance at start of the year	**(90)**	(97)
Impairment (loss)/gain recognised	**(79)**	7
Balance at end of year	**(169)**	(90)

20. Financial instruments continued

Interest rate risk

The Group earns interest from cash and cash equivalents with high credit rated financial institutions. These are subject to interest rate movements.

Currency risk

The Group is exposed to foreign currency risk on sales, purchases, staff costs and sales agent costs that are denominated in a currency other than Pounds Sterling. The currencies giving rise to this risk are primarily US Dollars and Euros.

The Group's revenue is denominated in Pounds Sterling (currently approximately 14%), US Dollars (currently approximately 70%) and Euros (currently approximately 16%).

The majority of the Group's cost of sales is denominated in US Dollars which provides a natural hedge to the US Dollar revenue. The majority of the Group's other operating expenses are in Pounds Sterling.

For monetary assets and liabilities held in currencies other than Pounds Sterling, the Group ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term balances. The Group considers the use of financial instruments such as foreign exchange contracts and dual currency deposits when appropriate. The Group used a small number of dual currency deposits during the current financial year.

The Group has investments in foreign operations whose net assets are exposed to currency translation risk. This currency exposure is not significant.

		Group	
Financial assets and financial liabilities by currency	Note	**2012 £000**	2011 £000
US Dollar trade and other receivables	14	**6,078**	4,209
Euro trade and other receivables	14	**891**	1,193
US Dollar cash and cash equivalents	15	**1,651**	2,523
Euro cash and cash equivalents	15	**202**	117
US Dollar trade and other payables	19	**(3,286)**	(2,301)
Other currency trade and other payables	19	**(120)**	(118)

The Company has no financial assets or liabilities in foreign currencies.

The following significant exchange rates applied during the year:

	Average rate		Year end rate	
	2012	2011	**2012**	2011
Pounds Sterling to US Dollar	**1.5827**	1.5994	**1.5702**	1.6359
Pounds Sterling to Euro	**1.1836**	1.1592	**1.2816**	1.1422

Liquidity risk

The Group's exposure to liquidity risk is managed through the assessment of cash flow forecasts to ensure that sufficient funds are available to meet liabilities as they fall due. The Group has an overdraft facility of £1.5m as part of its total £3.5m bank facility for use to mitigate liquidity risk. As at 31 July 2012 the Group was not utilising the overdraft facility and has cash and cash equivalents of £5,996,000 (2011: £5,066,000). The Group does not have any interest bearing liabilities due after more than one year.

The Group meets its day to day working capital requirements from operating cash flows and use, if necessary, of the overdraft facility which is renewed every one-two years.

20. Financial instruments continued

Liquidity risk continued

The following are the contractual undiscounted cash flow maturities of financial liabilities:

As at 31 July 2012 Group	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6–12 months £000	1–2 years £000	2–5 years £000
Non-derivative financial liabilities						
Trade and other payables	4,718	(4,718)	(4,714)	—	—	(4)
	4,718	**(4,718)**	**(4,714)**	**—**	**—**	**(4)**

As at 31 July 2012 Company	Carrying amount £000	Contractual cash flow £000	6 months or less £000	6–12 months £000	1–2 years £000	2–5 years £000
Non-derivative financial liabilities						
Trade and other payables	12	(12)	(12)	—	—	—
	12	**(12)**	**(12)**	**—**	**—**	**—**

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Group Statement of Changes in Equity on page 12. The board monitors return on capital, which the Group defines as profit before tax divided by total assets less current liabilities.

Sensitivity analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

There is currently not considered to be any material risk to the business on the basis of interest rate movements given the financial position of the Company.

It is estimated that a general increase of five percentage points in the value of the Pound against the US Dollar would have decreased the Group's profit before tax by approximately £145,000 for the year ended 31 July 2012 (2011: increase of £23,000) and a general increase of five percentage points in the value of the Pound against the Euro would have decreased the Group's profit before tax by approximately £146,000 (2011: £169,000).

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	2012		2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Trade and other receivables	**7,937**	**7,937**	7,057	7,057
Cash and cash equivalents	**5,996**	**5,996**	5,066	5,066
Trade and other payables	**(4,718)**	**(4,718)**	(3,489)	(3,489)
	9,215	**9,215**	8,634	8,634

All trade and other receivables and payables have a remaining life of less than one year. Therefore the nominal amount is deemed to reflect the fair value.

The carrying amount and fair value of trade and other receivables of the Company was £4,145,000 (2011: £2,374,000).

21. Operating leases

Non-cancellable operating lease rentals are payable as follows.

	2012 £000	2011 £000 Restated
Lease rentals due within:		
Less than one year	**232**	230
Between one and five years	**954**	925
More than five years	**841**	1,075
	2,027	2,230

During the year ended 31 July 2012, £316,000 was recognised as an expense in the income statement in respect of operating leases (2011 restated: £280,000).

The Group leases premises in the UK, USA and Dubai under operating leases. The UK leases expire in February 2021 and October 2012. The Dubai lease expires in January 2013 and the US lease expires in January 2013.

22. Capital commitments

As at 31 July 2012, the Group had no contracts to purchase property, plant and equipment (2011: £nil).

23. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see notes 11 and 24), Employee Benefit Trust (see note 17) and with its directors.

Transactions with key management personnel

The Board has defined key management personnel as the directors of the Company.

Directors of the Company and their immediate relatives control 7.9% of the voting shares of the Company. Information regarding the directors' shareholdings and share options is contained in the Directors' Report.

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan on behalf of the executive directors. The executive directors also participate in the Group's share option schemes and the IndigoVision Group plc Share Incentive Plan 2010. Details of the directors' remuneration are contained in note 5.

Transactions with subsidiaries

During the year the Company was charged a management fee of £70,000 (2011: £12,000) by its subsidiary IndigoVision Ltd.

During the year the Company charged interest on cash balances loaned to its subsidiary IndigoVision Ltd of £70,000 (2011: £55,000).

Also, employees and agents of IndigoVision Ltd exercised share options during the year and the cash generated is loaned to the subsidiary to further fund operating activity.

At the year end, IndigoVision Ltd owed the Company £3,894,000 (2011: £2,300,000).

24. Group entities

Significant subsidiaries

		Ownership interest	
	Country of incorporation	2012 %	2011 %
IndigoVision Ltd	Scotland	**100**	100
IndigoVision Inc	United States of America	**100**	100

25. Accounting estimates and judgements

Management discussed with the audit committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Share-based payments

The Group's share-based payment expense is based on the fair value of the share-based awards. The estimation of the fair values for the share-based payments is dependent on the selection by the Board of assumptions applied in the valuation model. The assumptions applied are described in note 17 and include expected volatility, the expected life of the option and the risk free discount rate. While the Board considers that the assumptions are appropriate, changes in these assumptions may materially affect the amount of the expense recognised for share-based payments.

Warranty provision

The provision for warranties is estimated based on historical warranty data and management judgement on operational activities during the two year warranty period preceding the reporting date. If actual project installations or product failure rates are less favourable than those estimated by management, then warranty costs may exceed the provision made at the reporting date.

Deferred tax asset

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income. As future taxable income is likely to deviate to some degree from forecasts, the amount of the deferred tax asset carried needs to be reviewed in the light of such variations.

Inventories

Inventories are stated at the lower of cost and net realisable value. Some items included in inventories are written down to their net realisable value based on assumptions about future demand and market conditions. If actual market conditions are less favourable than those projected by management, then inventory may be required to be written down by additional amounts. The assessment of whether an inventory write down is required is dependent on the circumstances prevailing at the time of the assessment.

Trade receivables

Trade receivables require management judgements in determining the amounts recoverable. Trade receivables are stated net of any provision for doubtful debts. The assessment of whether a receivable is doubtful is dependent on the circumstances prevailing at the time of the assessment.

Research and development costs

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised as an expense in the income statement as incurred. The decision on whether development expenditure is capitalised rests with management. The decision is based on whether the development expenditure leads to a product which is technically feasible, production and sale are intended, a market exists and sufficient resources are available to complete the project. It is only when management can assess each of the requirements with certainty that a decision is made to capitalise the development expenditure in the financial statements. The assessment of whether a development should be capitalised is dependent on the circumstances prevailing at the time of the assessment.

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Shareholder calendar

8 November 2012	Annual General Meeting
30 November 2012	Dividend paid
7 March 2013	2013 Interim results announced
26 September 2013	2013 Full year results announced

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