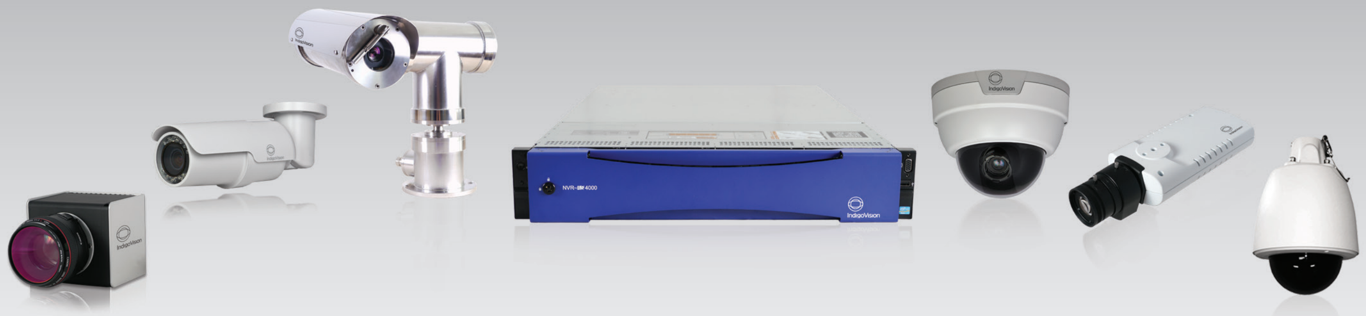
IndigoVision Group plc
Annual Report 2013



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

Directors' report and consolidated financial statements 2013

Contents

Highlights

For the year ended 31 July 2013

Financial summary

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

Operating highlights

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

Marcus Kneen, CEO, said

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

Chairman's statement

In the year to 31st July 2013, good progress was made in our strategy to reposition IndigoVision to improve its prospects of returning to market rates of growth. Although overall financial performance was a little subdued, management has been strengthened in the regions; the product portfolio has been broadened and is much more competitive and better targeted; a start has been made in improving marketing and communications; and the rate of volume growth in intelligent cameras has been encouraging. Reflecting the board's view that sufficient structural change to management and the product range have been made, sales headcount was increased by 30 per cent towards the end of last year, designed to increase the rate of revenue growth in the future.

Financial results

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

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

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

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

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

Dividends

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

Regional performance

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

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

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

Asia Pacific revenue was £5.8m (2012: £5.2m), an increase of 12%. Sales in India and China, although small, are growing. The region secured strategic wins in rail, airport and stadium projects and is active in projects of scale. The sales team grew by 18% in the reporting period to support the growth opportunities in the region. The team was involved in a very large tender process for the majority of the reporting period which concluded, unfortunately unsuccessfully, in August. Whilst the outcome was disappointing on this occasion, the process has significantly raised the profile of IndigoVision in the region and further projects have been added to the pipeline as a result.

Product mix

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

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

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

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

Software development & recurring income

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

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

Next steps

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

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

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

Change of financial year end

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

Outlook

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

Hamish Grossart

Chairman

25 September 2013

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 July 2013.

Principal activities and business review

The principal activity of the Group continues to be the design, development, manufacture and sale of video security systems for the enterprise market. Intelligent cameras, encoders, network video recorders and software are designed both internally and with technology partners and manufactured in Asia and Europe. The Group's end to end intelligent security systems allow full motion video to be transmitted worldwide, in real time, with digital quality and security, over local or wide area networks, wireless links or the internet, using market leading compression technology to minimize usage of network bandwidth.

A review of the activities of the Group for the year is given in the Chairman's statement on pages 3 to 5.

Proposed dividend

The directors recommend the payment of a final dividend of 5.5 pence per share which, when added to the interim dividend of 5.5 pence, gives a total of 11 pence for the year (2012: 10 pence).

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 minimize 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 £0.84m (2012: £6.00m).

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 totaling £3.5m can be used for working capital (£1.5m), letters of credit (£1.0m) and bond and guarantees (£1.0m) 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.

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

Key financial performance indicators

	2013	2012	Measure
Financial KPIs (before exceptionals)			
Operating margin	**6.4%**	8.8%	Operating profit before financing costs / Revenue
Return on capital employed	**14.7%**	14.6%	Profit before tax / Total assets less current liabilities
Current ratio	**2.6**	3.9	Current assets: current liabilities
Debtor days	**102**	73	Age profile of trade receivables
Creditor days	**49**	35	Age profile of trade payables

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 Ltd, in Dubai.

Political and charitable contributions

The Group made charitable donations of £265 (2012: £495) and no political contributions during the year (2012: £0).

Directors and directors' interests

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

Andrew Fulton	Non-Executive Director
Hamish Grossart	Chairman
Marcus Kneen	Chief Executive Officer
Holly McComb	Chief Financial Officer

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**	418,250
Marcus Kneen	**187,286**	186,474
Holly McComb	**5,712**	5,062

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	Lapsed during year	**Options at end of year**	Weighted average option price per share, £	Date range in which options can be exercised
Marcus Kneen	119,069	35,000	(19,069)	**135,000**	£0.78	Nov '08 – Jan '23
Holly McComb	30,708	15,000	(3,208)	**42,500**	£1.13	Oct '09 – Jan '23

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	%
HSBC Global Custody Nominees Ltd	842,500	11
Liontrust Invst Partnership LLP	550,000	7
Hamish Grossart	418,250	6
Standard Life Investment Limited	375,000	5
Artemis Investment Management LLP	315,333	4
Hargreave Hale Ltd	265,000	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 2013, the Company has recruited across all disciplines within the business, with particular focus on 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 2013 the number of days of annual purchases represented by the year-end creditors for the Group, amounted to 49 (2012: 35).

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

KPMG Audit Plc has informed the Company that they have initiated a process to streamline their two registered audit firms (KPMG Audit Plc and KPMG LLP). As such, KPMG Audit Plc have notified the Company that they are not seeking re-appointment. Consequently, the Audit Committee has recommended, and the Board has approved, the resolutions to appoint KPMG LLP as Auditor of the Company and its subsidiaries, and to authorise the Directors to fix their remuneration, which will be proposed at the forthcoming AGM.

By order of the board

Holly McComb
Secretary
Edinburgh
25 September 2013

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 judgments 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 2013 set out on pages 12 to 46. 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 auditors' 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 10, 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2013 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
25 September 2013

Consolidated statement of comprehensive income

For the year ended 31 July 2013

£'000	Note	2013	2012
Revenue	2	**31,978**	30,266
Cost of sales		**(13,854)**	(12,410)
Gross profit		**18,124**	17,856
Research and development expenses		**(3,606)**	(3,373)
Selling and distribution expenses		**(9,879)**	(9,272)
Administrative expenses		**(2,593)**	*(2,849)
Operating profit	4	**2,046**	2,362
Financial income	6	**37**	24
Profit before tax		**2,083**	2,386
Income tax expense	7	**(340)**	**(720)
Profit for the year attributable to equity holders of the parent		**1,743**	1,666
Foreign exchange translation differences on foreign operations		**(28)**	-
Total comprehensive income for the year attributable to equity holders of the parent		**1,715**	1,666
Basic earnings per share (pence)	8	**23.3**	22.2
Diluted earnings per share (pence)	8	**23.1**	21.9

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

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

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

Consolidated balance sheet

As at 31 July 2013

£'000	Note	2013	2012
Non-current assets			
Property, plant and equipment	9	**835**	533
Intangible assets	10	**81**	134
Deferred tax	12	**3,251**	3,571
Total non-current assets		**4,167**	4,238
Current assets			
Inventories	13	**4,918**	4,955
Trade and other receivables	14	**10,494**	7,937
Cash and cash equivalents	15	**844**	5,996
Total current assets		**16,256**	18,888
Total assets		**20,423**	23,126
Current liabilities			
Trade and other payables	19	**6,106**	4,718
Provisions	18	**136**	75
Total current liabilities		**6,242**	4,793
Non-current liabilities			
Provisions	18	**45**	25
Total non-current liabilities		**45**	25
Total liabilities		**6,287**	4,818
Net assets		**14,136**	18,308
Equity			
Called up share capital	16	**76**	76
Share premium account	16	**1,646**	1,611
Other reserve	16	**5,146**	5,146
Translation reserve	16	**(57)**	(29)
Profit and loss account	16	**7,325**	11,504
Total equity attributable to equity holders of the parent		**14,136**	18,308

These financial statements were approved by the Board of Directors on 25 September 2013 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Company balance sheet

As at 31 July 2013

£'000	Note	**2013**	2012
Non-current assets			
Investments	11	**1,578**	1,469
Total non-current assets		**1,578**	1,469
Current assets			
Trade and other receivables	14	**2,852**	4,145
Cash	15	**1**	3,705
Total current assets		**2,853**	7,850
Total assets		**4,431**	9,319
Current liabilities			
Trade and other payables	19	**-**	(12)
Total current liabilities		**-**	(12)
Net assets		**4,431**	9,307
Equity			
Called up share capital	16	**76**	76
Share premium account	16	**1,646**	1,611
Profit and loss account	16	**2,709**	7,620
Total equity attributable to equity holders of the parent		**4,431**	9,307

These financial statements were approved by the Board of Directors on 25 September 2013 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Group statement of changes in equity

As at 31 July 2013

Group	Share capital £000	Share premium £000	Other reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2011	76	1,603	5,146	(29)	10,724	17,520
Profit for the year	-	-	-	-	1,666	1,666
Share options exercised by employees	-	8	-	-	-	8
Equity-settled transactions, including deferred tax effect	-	-	-	-	(71)	(71)
Purchase of own shares	-	-	-	-	(176)	(176)
Dividends paid to equity holders	-	-	-	-	(639)	(639)
Balance at 31 July 2012	76	1,611	5,146	(29)	11,504	18,308
Balance at 1 August 2012	76	1,611	5,146	(29)	11,504	18,308
Profit for the year	-	-	-	-	1,743	1,743
Difference on translation	-	-	-	(28)	-	(28)
Share options exercised by employees	-	35	-	-	-	35
Equity-settled transactions, including deferred tax effect	-	-	-	-	109	109
Dividends paid to equity holders	-	-	-	-	(6,031)	(6,031)
Balance at 31 July 2013	**76**	**1,646**	**5,146**	**(57)**	**7,325**	**14,136**

Company statement of changes in equity

As at 31 July 2013

Company	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
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)
Dividends paid to equity holders	-	-	(639)	(639)
Balance at 31 July 2012	76	1,611	7,620	9,307
Balance at 1 August 2012	76	1,611	7,620	9,307
Profit for the year	-	-	1,011	1,011
Share options exercised by employees	-	35	-	35
Equity-settled transactions, including deferred tax effect	-	-	109	109
Dividends paid to equity holders	-	-	(6,031)	(6,031)
Balance at 31 July 2013	**76**	**1,646**	**2,709**	**4,431**

Consolidated statement of cash flows

As at 31 July 2013

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

Company statement of cash flows

As at 31 July 2013

£000	2013	2012
Cash flows from operating activities		
Profit for the year	**1,011**	5,592
Adjusted for:		
Financial income	**(93)**	(83)
Decrease/(Increase) in trade and other receivables	**1,293**	(1,771)
(Decrease)/Increase in trade and other payables	**(12)**	12
Dividend received from subsidiary	**(1,000)**	(5,700)
Cash generated from/(absorbed by) operations	**1,199**	(1,950)
Net cash inflow/(outflow) from operating activities	**1,199**	(1,950)
Cash flows from investing activities		
Interest received	**93**	83
Dividends received	**1,000**	5,700
Net cash inflow from investing activities	**1,093**	5,783
Cash flows from financing activities		
Proceeds from the issue of share capital	**35**	8
Dividends paid	**(6,031)**	(639)
Net cash outflow from financing activities	**(5,996)**	(631)
Net (decrease)/increase in cash and cash equivalents	**(3,704)**	3,202
Cash and cash equivalents at 1 August	**3,705**	503
Cash and cash equivalents at 31 July	**1**	3,705

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 2013 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 25 September 2013.

(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 s408 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 6 to 9. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Directors’ Report on pages 6 to 9. 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 adequate 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. The Group continues to operate with sufficient cash resources and bank facilities 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 are 100% controlled.

(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.

(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
- Demonstration Equipment 2-3 years

The residual value, if not insignificant, and useful lives, are 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 (1 to 3 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(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.

(j) Impairment continued

(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 pension 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 measured at grant date and recognized as an expense with a corresponding increase in equity spread over the period during which the employees become unconditionally entitled to the options. The fair value 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 statements. The corresponding credit is recognised in equity.

(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. The fair value is spread over the 3 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 1-5 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 normally 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 1-5 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.

(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) 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 2013 and have not been adopted early by the Group:

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, and subsequent revisions to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures are new and revised standards that are mandatory for adoption for accounting periods beginning on or after 1 January 2014 for EU endorsed IFRS reporters

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, the Middle East and Africa; 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 & Africa		North America		Latin America		Asia Pacific		Unallocated		Group	
		2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	Notes	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Segment revenue		**10,188**	10,941	**7,993**	8,108	**8,090**	6,064	**5,832**	5,213	**(125)**	(60)	**31,978**	30,266
Segment result		**3,378**	3,758	**2,424**	2,661	**2,462**	2,102	**1,897**	1,746	**(125)**	-	**10,036**	10,267
Unallocated expenses										**(7,990)**	(7,905)	**(7,990)**	(7,905)
Operating profit												**2,046**	2,362
Net financing income	6									**37**		**37**	24
Profit before tax												**2,083**	2,386
Income tax expense	7									**(340)**		**(340)**	(720)
Profit for the year												**1,743**	1,666
Assets		**2,392**	1,981	**1,746**	1,967	**2,868**	2,179	**2,776**	1,483	**10,641**	15,516	**20,423**	23,126
Liabilities		**(10)**	(9)	**(172)**	(89)	**-**	-	**(1)**	-	**(6,104)**	(4,720)	**(6,287)**	(4,818)
Expenditure incurred on segment non-current assets		**-**	-	**72**	9	**-**	-	**14**	-	**526**	337	**612**	346
Depreciation and amortisation		**5**	-	**39**	37	**-**	-	**1**	-	**317**	319	**362**	356

Revenues derived from external customers based in the UK amounted to £3,924,000 (2012: £3,877,000).

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

2. Segment reporting continued

Analysis of revenue

	2013 £000	2012 £000
Revenues from:		
Products sold	**30,701**	29,452
Support services	**309**	234
Software Upgrade Contracts	**968**	580
	31,978	30,266

3. Exceptional costs

	Note	2013 £000	2012 £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

	2013 £000	2012 £000
Operating profit is stated after charging/(crediting):		
Depreciation and amortisation	**362**	356
Net write down of inventories to realisable value	**230**	75
Allowance for doubtful trade receivables	**204**	165
Research & development expenditure	**3,606**	3,373
Gain on foreign exchange transactions and translation	**(298)**	(134)
Share based payment expense/(credit)	**109**	(38)
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**	22
All other services	**12**	-

5. Personnel expenses

	2013 £000	2012 £000
Wages and salaries	**5,813**	5,303[1]
Compulsory social security contributions	**594**	542
Contributions to defined contribution pension plans	**182**	167[2]
Equity-settled share based payment transactions	**109**	(38)
	6,698	5,974

1. Includes exceptional costs of nil (2012: £185,000).
2. Includes exceptional costs of nil (2012: £26,000).

The figures above include the directors' remuneration which is disclosed separately below.

	2013 £000	2012 £000
Average number of employees, including executive directors and excluding retained agents, by activity		
Selling and distribution	**42**	38
Research & Development	**55**	52
Administration	**18**	17
	115	107

	2013 £000	2012 £000
Remuneration of directors		
Directors emoluments	**398**	710
Company contributions to money purchase pension schemes	**19**	18
	417	728

Director's emoluments include nil compensation for loss of office (2012: £185,000).

	Number of directors	
	2013 Number	2012 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	**-**	-

5. Personnel expenses continued

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	**2013 Total £000**	2012 Total £000
Executive						
Marcus Kneen	200	12	212	14	**226**	296
Holly McComb (appointed 9 December 2011)	95	1	96	5	**101**	85
Oliver Vellacott (resigned 9 December 2011)	-	-	-	-	**-**	257
Non-Executive						
Andrew Fulton	30	-	30	-	**30**	30
Hamish Grossart	60	-	60	-	**60**	60
					417	728

Included in the total for 2012 is an amount of £185,000 paid to Oliver Vellacott as compensation for loss of office.

6. Net financing income

	2013 £000	2012 £000
Bank interest receivable	**21**	24
Interest charged on accounts receivable	**16**	-
Financial income	**37**	24

7. Income tax expense

Recognised in the income statement

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

7. Income tax expense continued

Reconcilliation of effective tax rate

	2013		2012	
	%	**£000**	%	£000
Profit before tax		**2,083**		2,386
Income tax using the UK corporation tax rate	**23.67%**	**493**	20%	477
Other permanent differences	**(0.14%)**	**(3)**	-	-
Non-deductible expenses	**1.68%**	**35**	1.17%	28
Net tax relief on share options	**0.24%**	**5**	(0.34%)	(8)
Research & Development tax credit	**(31.01%)**	**(646)**	(7.79%)	(186)
Adjustments relating to prior year trading losses	**(0.86%)**	**(18)**	-	-
Capital allowances in excess of depreciation	**0.29%**	**6**	0.25%	6
Prior year adjustment – current tax	**(0.05%)**	**(1)**	(0.08%)	(2)
Overseas taxes payable	**1.01%**	**21**	0.54%	13
Timing differences	**(0.96%)**	**(20)**	2.10%	50
Effect of tax rate change on deferred tax asset	**22.47%**	**468**	14.33%	342
	16.34%	**340**	30.16%	720

At 31 July 2013 tax losses generated outside the UK available for offset against future profits, amounted to approximately £1.4 million (2012: £1.5 million); using an income tax rate of 23.67% (2012: 20% reflecting appropriate small companies rate) this is equivalent to an asset of £0.3 million (2012: £0.3 million). 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

	2013 £000	2012 £000
Earnings per share		
Profit for the year attributable to equity shareholders (basic and diluted) after exceptional items	**1,743**	1,666

	Pence	Pence
Basic earnings per share	**23.3**	22.2
Diluted earnings per share	**23.1**	21.9

8. Earnings per share continued

	2013 £000	2012 £000
Adjusted earnings per share		
Profit for the year attributable to equity shareholders (basic and diluted) before exceptional items	**1,743**	1,905

	Pence	Pence
Adjusted basic earnings per share	**23.3**	25.4
Adjusted diluted earnings per share	**23.1**	25.0

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for each year were calculated as follows:

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

Basic earnings per share

The calculation of basic earnings per share for the year ending 31 July 2013 was based on the profit attributable to equity shareholders of £1,743,000 (2012: £1,666,000) and a weighted average number of ordinary shares during the year ending 31 July 2013 of 7,493,726 (2012: 7,507,199), calculated as shown above.

Diluted earnings per share

The calculation of diluted earnings per share for the year ending 31 July 2013 was based on the profit attributable to equity shareholders of £1,743,000 (2012: £1,666,000) and a weighted average number of ordinary shares during the year ending 31 July 2013 of 7,537,726 (2012: 7,616,199), calculated as shown above.

Adjusted basic and diluted earnings per share

The calculation of adjusted earnings per share for the year ending 31 July 2013 was based on the profit attributable to equity shareholders before deduction of exceptional items of £1,743,000 (2012: £1,905,000). 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	Plant and equipment £000	Fixtures and fittings £000	Computer hardware £000	Demonstration equipment £000	**Total £000**
Cost					
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**
Balance at 1 August 2012	663	379	678	-	**1,720**
Additions	151	131	97	218	**597**
Disposals	(54)	-	(2)	-	**(56)**
Effect of movements in foreign exchange	-	2	3	-	**5**
Balance at 31 July 2013	760	512	776	218	**2,266**
Depreciation					
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**
Balance at 1 August 2012	517	154	516	-	**1,187**
Depreciation charge for the year	100	10	122	62	**294**
Disposals	(53)	-	-	-	**(53)**
Effect of movements in foreign exchange	-	1	2	-	**3**
Balance at 31 July 2013	564	165	640	62	**1,431**
Carrying amounts					
At 1 August 2011	186	197	200	-	**583**
At 31 July 2012	146	225	162	-	**533**
At 1 August 2012	146	225	162	-	**533**
At 31 July 2013	196	347	136	156	**835**

10. Intangible assets

	Computer software £000
Cost	
Balance at 1 August 2011	**185**
Additions	**93**
Balance at 31 July 2012	**278**
Balance at 1 August 2012	**278**
Additions	**15**
Balance at 31 July 2013	**293**
Amortisation and impairment losses	
Balance at 1 August 2011	**92**
Amortisation for the year	**52**
Balance at 31 July 2012	**144**
Balance at 1 August 2012	**144**
Amortisation for the year	**68**
Balance at 31 July 2013	**212**
Carrying amounts	
At 1 August 2011	**93**
At 31 July 2012	**134**
At 1 August 2012	**134**
At 31 July 2013	**81**

11. Investments in subsidiaries

Company	2013 £000	2012 £000
Cost		
At 1 August	**1,469**	1,507
Increase/(decrease) in respect of share based payments	**109**	(38)
At 31 July	**1,578**	1,469

The Company owns 2,429,042 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. IndigoVision Limited owns 1 ordinary share of $1 (100%) of IndigoVision Pte Ltd, a company incorporated in Singapore, and a share of 24,000 Macau Patacas (100%) of IndigoVision Video Security Solutions, a company incorporated in Macau. The principal activity of both these companies is the marketing of the Group's products.

12. Deferred tax assets and liabilities

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2013 £000	2012 £000
Employee benefits – share based payments	**45**	43
Value of tax losses carried forward	**3,149**	3,427
Depreciation in excess of capital allowances	**53**	96
Other timing differences	**4**	5
	3,251	3,571

Unrecognised deferred tax assets

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

Company	2013 £000	2012 £000
Tax losses – non UK	**279**	294
	279	294

Movement in temporary differences during the year

	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**
Depreciation in excess of capital allowances	107	(11)	-	**96**
Other timing differences	3	2	-	**5**
	4,278	(707)	-	**3,571**

	Balance 1 August 2012 £000	Recognised in income £000	Recognised in equity £000	**Balance 31 July 2013 £000**
Employee benefits – share-based payments	43	2	-	**45**
Tax value of losses carried forward	3,427	(278)	-	**3,149**
Depreciation in excess of capital allowances	96	(43)	-	**53**
Other timing differences	5	(1)	-	**4**
	3,571	(320)	-	**3,251**

13. Inventories

	2013 £000	2012 £000
Raw materials and consumables	**1,112**	1,464
Finished goods	**3,806**	3,491
	4,918	4,955

The write-down of inventories to net realisable value amounted to £230,000 (2012: £75,000). In the year, raw material, consumables and changes to finished goods recognised as cost of sales amounted to £13,544,000 (2012: £12,250,000).

14. Trade and other receivables

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade receivables	**9,782**	7,383	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**2,601**	3,894
Amounts due from other related parties	**-**	-	**251**	251
Other receivables	**277**	199	**-**	-
Prepayments and accrued income	**435**	355	**-**	-
	10,494	7,937	**2,852**	4,145

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank balances	**844**	2,015	**1**	-
Bank deposits	**-**	3,981	**-**	3,705
Cash and cash equivalents in the statement of cash flows	**844**	5,996	**1**	3,705

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

16. Capital and reserves

	Ordinary shares	
	As at 31 July 2013 Number of shares	As at 31 July 2012 Number of shares
In issue at start of year	**7,552,276**	7,541,896
Issued for cash on exercise of employee share options	**22,272**	10,380
In issue at end of year – fully paid	**7,574,548**	7,552,276

At 31 July 2013, the issued share capital comprised 7,574,548 ordinary shares (2012: 7,552,276) 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 22,272 ordinary shares of 1 pence each were issued, 9,772 at 1 pence per share, 10,000 at 194.5 pence per share and 2,500 at 406 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 the 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 when 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 IFRS1 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 (2012: £250,000) 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 & Customs approved share option plans. The scheme is open to all employees in the United Kingdom.

17. Share based payments continued

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 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 3 and 10 years from the grant date. The scheme is open to all employees.

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 & 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 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 2013, 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			
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
9 January 2013	13,437	3 years from date of grant	10 years
The 2000 Unapproved Share Option Plan			
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
9 January 2013	4,563	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

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			
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
9 January 2013	70,000	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
9 January 2013	82,000	Individually determined (typically 3 years)	10 years

17. Share based payments continued

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

	2013		2012	
	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	**4.56**	**72,560**	4.52	89,940
Forfeited during the year	**3.50**	**(9,000)**	5.74	(12,000)
Exercised during the year	**1.95**	**(10,000)**	1.46	(5,380)
Outstanding at the end of the year	**5.23**	**53,560**	4.56	72,560
The 2000 Unapproved Share Option Plan				
Outstanding at the beginning of the year	**4.39**	**51,440**	2.95	161,440
Forfeited during the year	**-**	**-**	2.28	(110,000)
Outstanding at the end of the year	**4.39**	**51,440**	4.39	51,440
The 2000 Stock Option / Stock Issuance Plan				
Outstanding at the beginning of the year	**7.38**	**1,500**	2.60	6,500
Exercised during the year	**-**	**-**	1.17	(5,000)
Outstanding at the end of the year	**7.38**	**1,500**	7.38	1,500
The 2008 Approved Share Option Plan				
Outstanding at the beginning of the year	**3.87**	**27,911**	4.38	13,611
Granted during the year	**3.49**	**13,437**	3.53	18,000
Forfeited during the year	**3.64**	**(7,800)**	4.06	(3,700)
Outstanding at the end of the year	**3.77**	**33,548**	3.87	27,911
The 2008 Unapproved Share Option Plan				
Outstanding at the beginning of the year	**4.69**	**9,589**	4.52	13,689
Granted during the year	**3.49**	**4,563**	4.06	(4,100)
Forfeited during the year	**4.06**	**(400)**	-	-
Outstanding at the end of the year	**4.31**	**13,752**	4.69	9,589
The 2008 Stock Option Plan				
Outstanding at the beginning of the year	**8.26**	**1,100**	5.61	2,700
Forfeited during the year	**-**	**-**	4.65	(1,600)
Outstanding at the end of the year	**8.26**	**1,100**	8.26	1,100
The Stand Alone Option Agreements				
Outstanding at the beginning of the year	**2.08**	**153,500**	1.85	122,000
Granted during the year	**0.00**	**70,000**	-	56,000
Forfeited during the year	**0.29**	**(35,628)**	5.32	(24,500)
Exercised during the year	**0.83**	**(12,272)**	-	-
Outstanding at the end of the year	**1.08**	**175,600**	2.08	153,500

The weighted average share price at the date of exercise of share options exercised during the year was £4.11 (2012: 3.40).

The options outstanding at the year-end have an exercise price in the range of £0.00 to £8.68 (2012: £0.00 to £8.68) and a weighted average remaining contractual life of 6.2 years (2012: 6.1 years).

17. Share based payments continued

The options outstanding at 31 July 2013 have an exercise price in the ranges summarised below:

Exercise Price Range	**Number of options outstanding at 31 July 2013**	Weighted average remaining contractual life (years)
£0.00 - £0.65	**140,000**	8.7
£1.945 - £4.06	**83,000**	5.1
£4.490 - £5.683	**70,000**	3.6
£7.30 - £8.683	**37,500**	4.1
	330,500	6.2

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 historical share price volatility at the date of grant range of between 49.4% and 72.2%.

LTIPs	**2013 £000**	2012 £000
Outstanding at the beginning of the year	**154,760**	139,410
Granted during the year	**82,000**	94,000
Forfeited during the year	**(30,760)**	(78,650)
Outstanding at the end of the year	**206,000**	154,760

The total charge recognised for the year arising from share based payments was £109,000 (2012: credit of £38,000).

Recognised in income statement	**2013 £000**	2012 £000
Share options granted in 2009	**-**	(6)
Share options granted in 2010	**5**	-
Share options granted in 2011	**16**	(86)
Share options granted in 2012	**56**	54
Share options granted in 2013	**32**	-
Total expense/(credit) recognised as employee costs (note 5)	**109**	(38)

18. Provisions

Product warranties	**2013 £000**	2012 £000
Balance at 1 August	**100**	265
Provision made during the year	**327**	261
Provision used during the year	**(246)**	(426)
Balance at 31 July	**181**	100
Non-current	**45**	25
Current	**136**	75
	181	100

The provision relates to possible claims on products sold during the 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	
	2013	2012	**2013**	2012
Trade payables	**4,065**	2,922	**-**	-
Taxation and social security	**177**	113	**-**	-
Other payables	**103**	97	**-**	-
Accruals and deferred income	**1,761**	1,586	**-**	12
	6,106	4,718	**-**	12

Within other payables £4,000 (2012: £4,000) 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 2013 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 2013 and 31 July 2012, 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.

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	**2013**	2012	**2013**	2012
Trade and other receivables	**14**	**10,494**	7,937	**2,852**	4,145
Cash and cash equivalents	**15**	**844**	5,996	**1**	3,705
		11,338	13,933	**2,853**	7,850

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:

	2013 **£000**	2012 £000
Europe, Middle East and Africa	**2,392**	1,959
North America	**1,746**	1,763
Latin America	**2,868**	2,178
Asia Pacific	**2,776**	1,483
	9,782	7,383

20. Financial instruments continued

Impairment losses

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

	Gross 2013 £000	**Impairment 2013 £000**	Gross 2012 £000	Impairment 2012 £000
Not past due	**5,380**	**-**	4,684	-
0-30 days overdue	**1,368**	**-**	1,357	-
31-60 days overdue	**1,664**	**-**	199	-
More than 61 days overdue	**1,626**	**(256)**	1,312	(169)
	10,038	**(256)**	7,552	(169)

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:

	2013 £000	2012 £000
Balance at start of the year	**(169)**	(90)
Impairment loss recognised	**(87)**	(79)
Balance at end of year	**(256)**	(169)

Interest rate risk

The Group earns interest from cash and cash equivalents with high credit rated financial institutions and pays interest on any bank overdraft balances. 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 13%), US Dollars (currently approximately 73%) and Euros (currently approximately 14%).

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

20. Financial instruments continued

Financial assets and financial liabilities by currency	Note	Group 2013 £000	Group 2012 £000
US Dollar trade and other receivables	14	**8,062**	6,078
Euro trade and other receivables	14	**774**	891
US Dollar cash and cash equivalents	15	**686**	1,651
Euro cash and cash equivalents	15	**51**	202
US Dollar trade and other payables	19	**(4,399)**	(3,286)
Other currency trade and other payables	19	**(269)**	(120)

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

The following significant exchange rates applied during the year

	Average rate 2013	Average rate 2012	Year end rate 2013	Year end rate 2012
Pounds Sterling to US Dollar	**1.5675**	1.5827	**1.5209**	1.5702
Pounds Sterling to Euro	**1.2152**	1.1836	**1.1492**	1.2816

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 2013 the Group was not utilising the overdraft facility and has cash and cash equivalents of £844,000 (2012: £5,996,000). The Group does not have any interest bearing liabilities due after more than 1 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 year.

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

As at 31 July 2013 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	6,106	(6,106)	(6,102)	-	(4)	-
	6,106	**(6,106)**	**(6,102)**	**-**	**(4)**	**-**

The Company has no financial liabilities.

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 15. 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.

20. Financial instruments continued

It is estimated that a general increase of five percent in the value of the Pound against the USD would have decreased the Group's profit before tax by approximately £168,000 for the year ended 31 July 2013 (2012: decrease of £145,000) and a general increase of five percent in the value of the Pound against the Euro would have decreased the Group's profit before tax by approximately £139,000 (2012: £146,000).

Fair values

The nominal value of cash and cash equivalents, trade and other receivables, and trade and other payables of £5,232,000 (2012: £9,215,000) is deemed to reflect the fair value.

The carrying amount and fair value of cash and cash equivalents, trade and other receivables, and trade and other payables of the Company was £2,852,000 (2012: £4,145,000).

21. Operating leases

Non-cancellable operating lease rentals are payable as follows.

	2013 **£000**	2012 £000
Lease rentals due within:		
Less than one year	**327**	232
Between one and five years	**1,021**	954
More than five years	**606**	841
	1,954	2,027

During the year ended 31 July 2013, £362,000 was recognised as an expense in the income statement in respect of operating leases (2012: £316,000).

The Group leases premises in the UK, USA, Canada and Dubai under operating leases. The UK leases expire in February 2021 and October 2013. The Dubai lease expires in January 2014 and the US lease expires in January 2016.

22. Capital commitments

As at 31 July 2013, the Group had no contracts to purchase property, plant and equipment (2012: £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 16) 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 8.1 per cent 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 £68,000 (2012: £70,000) by its subsidiary IndigoVision Ltd.

During the year the Company charged interest on cash balances loaned to its subsidiary IndigoVision Ltd of £93,000 (2012: £70,000).

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 £2,596,000 (2012: £3,894,000).

24. Group entities

Significant subsidiaries

		Ownership interest	
		2013	2012
	Country of incorporation	**%**	%
IndigoVision Ltd	Scotland	**100**	100
IndigoVision Inc	United States of America	**100**	100
IndigoVision Pte Ltd	Singapore	**100**	-
IndigoVision Video Security Solutions Ltd	Macau	**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 estimated returns given the 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.

25. Accounting estimates and judgements continued

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.

Secretary and advisors

Secretary and Registered Office

The Company Secretary

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Auditor

KPMG Audit plc

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20 Castle Terrace
Edinburgh
EH1 2EG

Registrars

Computershare Investor Services plc

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Bristol
BS99 6ZZ

Shareholder calendar

12 November 2013	Annual General Meeting
29 November 2013	Dividend paid
6 March 2014	Interim results for the 6 months ending 31 January 2014
4 September 2014	Interim results for the 12 months ending 31 July 2014
26 February 2015	Annual report and accounts for the 17 months ending 31 December 2014

IndigoVision

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