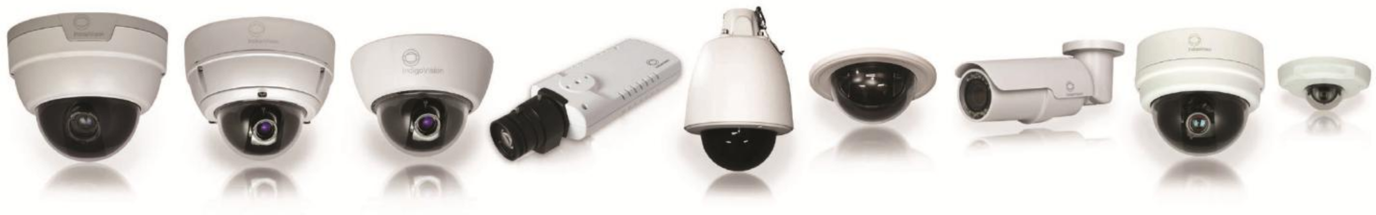
Directors’ report and consolidated financial statements 2014



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Highlights

For the 17 month period ended 31 December 2014

Financial Highlights

- Report and accounts presented in USD ('$') for the first time
- Revenue for the 17 months $82.5m (2013 12 months: $50.1m)
- Gross margin 57.9% up from 56.6% last year
- Operating profits before foreign exchange movements $4.86m (2013 12 months: $2.71m)
- Adverse foreign exchange movements $0.59m (2013 12 months: positive movements $0.49m)
- Operating profit for the 17 months $4.27m (2013 12 months: $3.21m)
- Profit after tax for the 17 months $4.54m (2013 12 months: $2.73m)
- Diluted earnings per share 60.5 cents (2013 12 months: 36.3 cents)
- 17 month dividend 17 pence, up 9% on an annualised basis

Comparison on adjusted 17 month basis (see footnote*):

- Revenue $82.5m, up 10%
- Operating profits before foreign exchange movements $4.86m, up 2%
- Operating profit $4.27m, down 14%

Operating Highlights

- Regional revenue compared with the adjusted 17 month comparative *:
  - North America up 30%
  - Europe, Middle East and Africa up 20%
  - Asia Pacific up 11%
  - Latin America down 20%, after several years of strong growth

- A strong period of enterprise project wins:
  - "Smart City" projects in APAC and Latin America
  - FIFA World Cup 2014
  - Casino wins in Macau and USA
  - Airport and airline projects in Brazil, China, Middle East, Europe and North America
  - Energy and mining projects in Canada and Australia

- Fast paced innovation continued:
  - Release of the Ultra 2K, best in class high definition camera range
  - Complete range of new storage solutions from compact NVRs to large enterprise devices
  - Ongoing releases of Control Centre, IndigoVision's video management software

- Further new products in the pipeline:
  - FrontLine – first IP video manufacturer with body worn video
  - Interceptor – high definition PTZ camera with infrared and white light

Marcus Kneen, Chief Executive, commented

"This extended 17 month period has seen good progress overall, and some excellent project wins. We expect to make gains going forward in the mid-market, which represents a growth opportunity for IndigoVision and should ameliorate the lumpy effect of larger projects on results. Product innovation has continued apace, and the markets in which we operate continue to be favourable."

*Due to the change in financial year end from July to December, the consolidated financial statements report the results for the 17 months ended 31 December 2014 compared with those for the 12 months ended 31 July 2013. To provide a more detailed explanation of like-for-like business performance, the Highlights and Chairman's Statement also comment on variances with an 'adjusted 17 month comparative', which is the sum of two reporting periods, being the 12 months to 31 July 2013 and 5/6ths of the 6 months to 31 January 2014 (see table and further explanation in the Chairman's statement).

Chairman’s statement

In the 17 months to 31 December 2014, IndigoVision continued to be successful in the large scale “enterprise” market, winning a number of sizeable video security projects. Revenue growth was very strong in the first 12 months and sales more subdued in the latter 5 months. Although sales performance was mixed, the fast pace of innovation has continued and the product portfolio is more competitive in both range and price. Product quality is market leading with very low return rates and strong customer confidence, and this allowed IndigoVision to maintain healthy margins.

The mixed regional performance has continued into the current year, with some regions up and some down, resulting in a quiet start overall. We anticipate growth going forward from the mid-market, for which we have been preparing and positioning product and pricing. The mid-market represents a significantly larger available market than the enterprise market, and this should serve to ameliorate the lumpiness that inevitably arises from the sizeable projects which continue to form a significant part of our current sales base.

Financial results

Revenue for the 17 months ended 31 December 2014 was $82.5m (2013 12 months: $50.1m).

Regionally, performance was encouraging in North America and in Europe, Middle East and Africa. North American sales were $23.8m for the 17 months (2013 12 months: $12.5m), with focus on the casino, energy and banking sectors. Sales in Europe, Middle East and Africa were $28.6m for the 17 months (2013 12 months: $15.9m), with success in a number of government and commercial developments projects, and a major sporting event in the UK.

Sales in Asia Pacific were $14.9m for the 17 months (2013 12 months: $9.1m). The region benefited from smart city, resource and casino projects in the first 12 months, with project sales quieter in the final five months.

Sales in Latin America grew modestly during the first 12 months and fell back significantly in the final five months, after several years of strong growth. Overall, sales in the region were $15.7m for the 17 months (2013 12 months: $12.7m). The regional team has been restructured, costs reduced, and the focus of the region diversified away from its historic reliance on the government sector.

Gross margins were strong at 57.9% in the 17 months (2013 12 months: 56.6%).

Operating profit before foreign exchange movements totalled $4.86m (2013 12 months: $2.71m). The movement in foreign currency rates during the period had a significant impact on the operating result, with a charge of $0.59m in the 17 month period (2013 12 months: positive movement of $0.49m). Operating profit for the 17 months was $4.27m (2013 12 months: $3.21m).

Income taxes benefited from a higher research and development tax credit, so that profit after tax for the 17 months was $4.54m (2013 12 months: $2.73m).

Proforma results

Due to the change in year end and unequal reporting periods, we have prepared a reconciliation of a proforma "adjusted 17 month comparative" period in the table below. It also follows the basis used in the Group's previous announcements of interim performance.

	17 months ended 31 December 2014 $000	Adjusted 17 month comparative (*) $000	% change
Revenue	82,460	74,695	10%
Gross Profit	47,741	42,233	13%
Costs	(42,884)	(37,448)	15%
Operating profit pre foreign exchange	4,857	4,785	2%
Foreign exchange	(586)	153	-
Operating profit	4,271	4,938	(14%)

Revenue by region:	17 months ended 31 December 2014 $000	Adjusted 17 month comparative (*) $000	% change
EMEA	28,563	23,876	20%
North America	23,761	18,214	30%
Latin America	15,747	19,561	(20%)
Asia Pacific	14,857	13,360	11%

* Adjusted 17 month comparative is the sum of two reporting periods, being the 12 months to 31 July 2013 and 5/6ths of the 6 months to 31 January 2014.

Currency

Reflecting the development of the Group's global business, which now prices mostly in US dollars and has largely US dollar linked costs, the functional currency of the main operating subsidiary was changed to US dollars from Sterling with effect from 1 February 2014. Consistent with this change, the Group and Company's presentation currency has been changed to US Dollars for the 17 month period ended 31 December 2014, and all comparatives have been restated in US Dollars. The Group and Company's presentation currency has been accounted for in accordance with IAS21, "The Effects of Changes in Foreign Exchange Rates". These changes were announced previously.

Dividends will continue to be declared and paid to all shareholders in Sterling ("GBP"), translated at the exchange rate prevailing when the dividend is declared. IndigoVision Group plc, which is registered and has its headquarters in Scotland, will maintain its AIM listing on the London Stock Exchange, with shares quoted in GBP.

Details of the basis of preparation, including the methodology used for the retranslation of the financial statements, are provided in note 1 on page 25.

Markets

The Group remains focused on key vertical market segments, and the resultant closer understanding of these markets and customer needs informs the design of industry specific software features and allows well targeted research and development. This focus has resulted in successful large project wins, where IndigoVision's high performance end-to-end IP video solution is well suited, where end users value high quality system performance, reliability, ability to integrate with other systems, such as access control, perimeter detection and electronic point of sale systems, and the ease of purchasing an end-to-end system from one supplier.

IndigoVision's global installed base gives users a positive experience of our products and systems that form the bedrock of IndigoVision's brand strength, and of end user and customer trust in our business, both key to future growth. The last 17 months have seen the release of many strong new products directed at the needs of end users, which have been both well received and have contributed to sales growth.

IndigoVision has also been successful in developing mid-market opportunities in some geographies, and these areas of the business deliver more consistent revenue streams. The size of the mid-market is significantly larger than the enterprise market and is of increasing importance to the long term growth of IndigoVision.

Revenue streams from the enterprise market can be inconsistent due to high values from individual projects with longer life-cycles, often with delays associated with construction projects or international public spending changes. IndigoVision will continue to operate in the enterprise market in all geographies. However, the structure of the regional sales teams will be developed to allow certain team members to focus predominantly on enterprise projects, whilst others will be dedicated to mid-market account management. The account managers will be supported by specially trained, office based, inbound and outbound sales people.

Over the last two years, IndigoVision has been developing the product range, price points and logistical support required to compete in the mid-market. Work continues in all these areas to support sales in local markets, additions to the product range at competitive price points, and local warehousing to support efficient product despatch and higher service levels.

Products

In the 17 months to 31 December 2014 IndigoVision continued the fast pace of new product introductions.

Product launches included the Ultra 2K range of high definition cameras with exceptional image detail, zoom capability, and variable light functionality. The range was launched in November 2014 and the first months of sales have been encouraging.

The camera range has been further supplemented by individual new models including the Ultra 5K 20 megapixel fixed camera for monitoring large areas from a single location, a camera range suitable for the oil and gas market and a discrete 3 megapixel microdome that can be installed in less than a minute.

A comprehensive storage range was introduced, from compact 1 terabyte capacity devices through to large 600 terabyte capacity arrays, enabling IndigoVision to offer competitive storage solutions for all sizes of installation.

New releases of IndigoVision's video management software, Control Center, are made three times each year. During the 17 month period many features were released to satisfy customers needs such as map interfaces, the ability to integrate millions of data records, and allowing the tracking of moving objects across multiple cameras. These releases support development of recurring revenue through increased sales of the multi-year software upgrade plans.

In Q1 2015 IndigoVision will be the first complete IP video security manufacturer to launch Body Worn Video. FrontLine is a badge sized camera and recorder that can be clipped to clothing of all frontline staff, from police and prison officers, to airline, bank, healthcare and customer services personnel.

Dividends

The board is recommending a final dividend of 5.0 pence which, when added to the 12.0 pence in total already paid for the two interim dividends, would result in dividends for the 17 month period of 17.0 pence (2013: 11.0 pence for the 12 months). This represents an increase of 9% on an annualised basis.

The final dividend, if approved, will be payable on 14 May 2015 to shareholders on the register on 17 April 2015.

Current trading and outlook

In the 17 months to 31 December 2014, adjusted sales growth was satisfactory at 10 per cent and the gross margin performance strong. Costs grew faster than gross profit and performance was significantly affected by material adverse currency movements. Costs have since been reduced both in the regions and centrally with the object of restoring net operating margin.

The start to the current year has seen a continuation of the mixed regional performance evident at the end of last year, and overall revenues and order intake have been somewhat subdued. Looking forward, the Group is aiming to continue to grow sales into the enterprise project market, which has provided a significant proportion of total business to date. We also expect to make gains going forward in the mid-market, initially focused on more established regions, with a view to improving the pattern and predictability of sales, and the quality of earnings.

The markets in which IndigoVision operates continue to grow, providing a favourable backdrop.

Hamish Grossart

Chairman

25 February 2015

Strategic report

Business Model

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

The Group develops its end-to-end system through in-house design, use of OEM manufacturers and working with technology partners. Product is manufactured in Asia and Europe and brought into inventory based on forecast sales.

The Group utilises both in-house and third party warehouses in Europe, North America, South America and Asia to store product, enable timely order despatch to its global customer base and offer local product repair services.

The Group sells its end-to-end networked video systems and services through a network of global authorised partners. The Group's partners vary in size from large international security companies to local systems integrators; value added resellers; and distributors in limited geographies. Partner companies are required to attend and maintain current system training to be authorised to purchase from the Group. Partner companies install the Group's end-to-end networked video systems at end user sites requiring a video security system. Partner companies offer first line technical support to the end users and can maintain the system post sale. The Group provides second line technical support to authorised partners.

The Group's end-to-end networked video system is designed for use in both the enterprise market (broadly described as users with over 250 video cameras) and the mid-market (those between 100 – 250 cameras).

The Group is structured into 4 regional sales and support teams, with people in 22 countries and sales made into over 80 countries.

Strategy

A review of the current activities and strategy of the Group is given in the Chairman's statement on pages 4 to 7.

Key areas of strategic development for the business include:

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. The sales and marketing team structure is evolving to manage the targeted growth in the mid-market.

Technology innovation

New products are brought to market regularly to compete as technology advances. The Group uses in-house engineering expertise to develop high performance cameras, encoders and video management software, as well as to test and qualify third party suppliers, to ensure the Group's complete end-to-end solution delivers a high standard of performance.

Manufacturing and logistics

Products continue to be developed for both existing and development markets; production efficiencies have been achieved and new initiatives for process and efficiency improvements are constantly being developed. Additional regional stockholding locations have been established to satisfy global product demand.

Group structure and local presence

The Group continues to reduce barriers to revenue growth in all geographies by establishing legal entities globally as required.

Risks and uncertainties

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. 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.

Competitive risk

The Group operates in highly competitive markets. The Group competes against both global and local suppliers of end-to-end networked video solutions, video hardware only, and video software only providers. Product innovations, technical advances, global reach and price pressure by competitors could adversely affect the Group. The geographical diversity of operations reduces the possible effect of action by any single competitor. The Group values customer service and continually strives to optimise the customer experience across all departments. The Group invests directly in research and development in order to sustain a competitive advantage, and also works continually to ensure that its product range is competitive.

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. The Group was an early entrant into the video security market and holds significant prior art should a claim be made.

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 large manufacturers in Asia, with factories in multiple locations, as well as established European manufacturers, and operates three distribution hubs to reduce the risk of supply to its customers. The Group obtained Authorised Economic Operator (AEO) status from the European Commission 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 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 to match the major sales currency. The Group seeks to reduce exposure to foreign exchange risk through natural hedging of USD income and costs. The Group currently generates EUR income in excess of EUR costs, and has GBP costs in excess of GBP income. Foreign currency is purchased as necessary at spot rates. The Group's management does not consider that the foreign currency exposures are sufficient to warrant the use of forward exchange contract or other currency instruments at the present time, but continues to keep this under review. Sensitivity analysis associated with currency movements is detailed further in note 19 of the report and accounts.

Environmental risks

The Group seeks to ensure ongoing compliance with relevant legislation and 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 fully complies with the European Union's 'Restriction of Hazardous Substances' directive.

The effect of legislation and other regulatory activities

The Group regularly monitors forthcoming and current legislation and taxation changes as they affect the Group.

Key performance indicators ("KPIs")

The Group uses the following financial KPIs to monitor growth, profitability, spend, and working capital:

	2014 **17 months**	2013 12 months	Measure
Revenue growth %	**10.4%***	5.7%	Current period revenue/ prior period revenue
Operating margin	**5.2%**	6.4%	Operating profit before financing costs / Revenue
R&D as % of sales	**9.8%**	11.3%	Research and development expenses/ Revenue
Annualised return on capital employed	**12.1%**	15.1%	Profit before tax / Total assets less current liabilities
Current ratio	**2.4**	2.6	Current assets: current liabilities
Debtor days	**96**	102	Age profile of trade receivables
Creditor days	**50**	49	Age profile of trade payables

*Using the adjusted 17 month comparative

The Group also uses non-financial KPIs, including the monitoring of:

- Average time taken to despatch orders
- Average order size
- Product return rates
- Employees' health and safety

Cash

The net cash balance at period end was $2.56m (2013: $1.28m). Cash balances are mainly held in US Dollars, Sterling, 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. Cash on term deposits is included within cash and cash equivalents on the balance sheet.

The Group's has an overdraft facility of $4.0m renewed in February 2015, that is secured by a bond and floating charge.

As explained in note 1 to the financial statements, the directors have reviewed the latest forecast results and cash flow projections. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Employees

The continuing success of the Group greatly depends on its employees across the world 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.

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 Group conducts an annual staff engagement survey to gauge employees' emotional commitment to the Group and to seek feedback to drive continuous improvement.

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 employee benefit trust in connection with these plans.

By order of the board

Marcus Kneen

Director

Edinburgh

25 February 2015

Directors' report

The directors present their report and the audited consolidated financial statements for the 17 month period ended 31 December 2014.

Principal activities and business review

The principal activity of the Group continues to be the design, development, manufacture and sale of networked video security systems. 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 IP video 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 period is given in the Chairman's statement on pages 4 to 7.

Proposed dividend

The directors recommend the payment of a final dividend of 5 pence per share which, when added to the first and second interim dividends of 6 pence each, gives a total of 17 pence for the year (2013: 11 pence for the 12 months).

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 $360 (2013: $425) and no political contributions during the year (2013: $ nil).

Share Capital

As at 31 December 2014, the company had 7,604,756 ordinary shares of 1 penny each issued.

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	1,445,500	19
Liontrust Investment Partnership LLP	550,000	7
Hamish Grossart	418,250	6
Inflection Point Investments Ltd	318,625	4
Hargreave Hale Ltd	265,000	3

Directors

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

Hamish Grossart

Non-Executive Chairman

Hamish Grossart, Non-Executive Chairman joined the board of IndigoVision as chairman in 1996. He has over 25 years' experience on public company boards in a wide range of industries, both in an executive and non-executive capacity. He is also the non-executive chairman of Artemis Investment Management and non-executive deputy chairman of British Polythene Industries. He was Deputy Chairman of Cairn Energy from 1996 to 2010 and past chairmanships include EFT Group PLC, Royal Doulton PLC, Hicking Pentecost PLC, Scottish Highland Hotels Group PLC and Eclipse Blinds PLC.

Marcus Kneen

Chief Executive Officer

Marcus Kneen joined IndigoVision in 2003 as Chief Financial Officer and was appointed Chief Executive Officer in 2011. Previously he held various Finance Director and General Manager positions including Incorporated Technologies (Holdings) Ltd, Grampian Country Food Group and Howegarden Ltd. Prior to that Marcus held finance and audit positions at Christian Salvesen plc and Ernst & Young. He holds an MA from the University of Dundee and is a member of the Institute of Chartered Accountants of Scotland. In 2010/11 he was chairman of the Scottish Finance Directors Discussion Group.

Holly McComb

Chief Financial Officer

Holly McComb joined IndigoVision in 2006 as Group Financial Controller and was appointed Chief Financial Officer in 2011. She has held prior finance and audit roles with HBOS plc and Ernst & Young London and Sydney. She holds a BEng (Hons) from Edinburgh University and is a member of the Institute of Chartered Accountants of England and Wales.

Andrew Fulton

Non-Executive Director

Andrew Fulton joined the board of IndigoVision in 2011 as an independent non-executive director. Andrew spent over 30 years in the British Diplomatic Service, his last appointment being in Washington DC, following postings in Saigon, Rome, East Berlin, Oslo and at the United Nations in New York. Amongst other business roles Andrew is Chairman of GPW Ltd, specialists in corporate investigations and business intelligence, and is President (formerly founding Chairman) of the Scottish North American Business Council. He is a former Chairman of the Scottish Conservative and Unionist Party and is senior adviser to the all-Party MENA Council at Westminster.

Martin Pengelley

Non-Executive Director, appointed 2 January 2014

Martin Pengelley joined the board of IndigoVision in 2014 as an independent non-executive director. Martin qualified as a Chartered Accountant with Ernst & Whinney before joining Wood Mackenzie, a predecessor firm of Deutsche Bank, in 1984. Martin worked in UK Corporate Stockbroking with Deutsche Bank AG for almost 30 years before retiring at the end of 2013. Martin is also a director of DB Trustee Services Ltd, the trustee company of the Deutsche Bank UK pension schemes, Hilden Oaks School Educational Trust Limited, and Paddock Wood Community Advice Centre.

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

Directors' remuneration

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

2014 **17 months** **Director**	Salary/ Fees $000	Bonus $000	Benefits $000	Total before pension $000	Pension contributions $000	**2014 Total $000**
Executive						
Marcus Kneen	468	-	27	495	42	**537**
Holly McComb	239	-	4	243	21	**264**
Non-Executive						
Andrew Fulton	69	-	-	69	-	**69**
Martin Pengelley (appointed 2 January 2014)	50	-	-	50	-	**50**
Hamish Grossart	139	-	-	139	-	**139**
	965	-	31	996	63	**1,059**

2013 **12 months** **Director**	Salary/ Fees $000	Bonus $000	Benefits $000	Total before pension $000	Pension contributions $000	**2013 Total $000**
Executive						
Marcus Kneen	313	-	19	332	22	**354**
Holly McComb	149	-	1	150	8	**158**
Non-Executive						
Andrew Fulton	47	-	-	47	-	**47**
Hamish Grossart	94	-	-	94	-	**94**
	603	-	20	623	30	**653**

Directors' interests

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

	Ordinary shares	
	Interest at end of period	Interest at start of period
Hamish Grossart	**418,250**	418,250
Marcus Kneen	**213,594**	187,286
Holly McComb	**7,066**	5,712
Martin Pengelley	**2,000**	-

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

	Options at start of period	Awarded during period	Exercised during period	Lapsed during period	**Options at end of period**	Weighted average option price per share, £	Date range in which options can be exercised
Marcus Kneen	135,000	40,000	(25,000)	(15,000)	**135,000**	£0.42	Oct '09 – Dec '23
Holly McComb	42,500	20,000	-	(7,500)	**55,000**	£0.88	Oct '09 – Dec '23

Committees

Audit Committee

Martin Pengelley is the Chairman of the audit committee and Andrew Fulton is a second member. The Board has delegated the following responsibilities to the audit committee:

- To assist the board in meeting its financial reporting responsibilities
- To ensure that the Group's published financial statements comply with all applicable statutory requirements and accounting standards
- To review the interim and annual financial reports of the Group
- To review the effectiveness of internal financial controls and make recommendations where necessary
- To communicate with the external auditors and review their audit findings
- To review the performance of the auditors
- To advise the Board on the appointment and remuneration of the external auditors

Remuneration Committee

Andrew Fulton is the Chairman of the remuneration committee and both Hamish Grossart and Martin Pengelley are members. The Board has delegated the following responsibilities to the remuneration committee:

- Reviewing the performance of the executive directors
- Setting the pay, bonuses and other remuneration of the executive directors
- Allocating share options together with any attached performance targets to executive directors and employees

Disclosure of information to auditor

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

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 period. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

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

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

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

By order of the board

Holly McComb

Director

Edinburgh

25 February 2015

Independent auditor's report

To the members of IndigoVision Group plc

We have audited the financial statements of IndigoVision Group plc for the period ended 31 December 2014 set out on pages 18 to 52. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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 express an 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 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 website 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 December 2014 and of the group's profit for the period 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 Strategic Report and 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

Alex Sanderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Edinburgh
25 February 2015

Consolidated statement of comprehensive income

For the 17 month period ended 31 December 2014

	Note	**17 months ended 31 December 2014 $000**	12 months ended 31 July 2013 $000
Revenue	2	**82,460**	50,102
Cost of sales		**(34,719)**	(21,737)
Gross profit		**47,741**	28,365
Research and development expenses		**(8,056)**	(5,661)
Selling and distribution expenses		**(27,853)**	(15,467)
Administrative expenses		**(6,975)**	(4,524)
Foreign exchange (loss)/gain		**(586)**	494
Operating profit	3	**4,271**	3,207
Financial (expense)/income	5	**(5)**	58
Profit before tax		**4,266**	3,265
Income taxes	6	**277**	(532)
Profit for the period attributable to equity holders of the parent		**4,543**	2,733
Other comprehensive income			
Foreign exchange translation differences on foreign operations		**1,253**	(529)
Total comprehensive income for the period attributable to equity holders of the parent		**5,796**	2,204
Basic earnings per share (cents)	7	**60.7**	36.5
Diluted earnings per share (cents)	7	**60.5**	36.3

Consolidated balance sheet

As at 31 December 2014

	Note	31 December 2014 $000	31 July 2013 $000
Non-current assets			
Property, plant and equipment	8	**1,702**	1,270
Intangible assets	9	**103**	123
Deferred tax	11	**5,337**	4,944
Total non-current assets		**7,142**	6,337
Current assets			
Inventories	12	**10,396**	7,480
Trade and other receivables	13	**17,680**	15,960
Cash and cash equivalents	14	**2,559**	1,284
Total current assets		**30,635**	24,724
Total assets		**37,777**	31,061
Current liabilities			
Trade and other payables	18	**12,681**	9,287
Provisions	17	**137**	207
Total current liabilities		**12,818**	9,494
Non-current liabilities			
Provisions	17	**45**	68
Total non-current liabilities		**45**	68
Total liabilities		**12,863**	9,562
Net assets		**24,914**	21,499
Equity			
Called up share capital	15	**119**	119
Share premium account	15	**2,666**	2,587
Other reserve	15	**8,080**	8,080
Translation reserve	15	**678**	(575)
Profit and loss account	15	**13,371**	11,288
Total equity attributable to equity holders of the parent		**24,914**	21,499

These financial statements were approved by the Board of Directors on 25 February 2015 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Company balance sheet

As at 31 December 2014

	Note	31 December 2014 $000	31 July 2013 $000
Non-current assets			
Investments	10	**2,629**	2,400
Total non-current assets		**2,629**	2,400
Current assets			
Trade and other receivables	13	**4,019**	4,338
Cash	14	**5**	1
Total current assets		**4,024**	4,339
Total assets		**6,653**	6,739
Current liabilities			
Trade and other payables	18	**-**	-
Total current liabilities		**-**	-
Net assets		**6,653**	6,739
Equity			
Called up share capital	15	**119**	119
Share premium account	15	**2,666**	2,587
Translation Reserve	15	**76**	(26)
Profit and loss account	15	**3,792**	4,059
Total equity attributable to equity holders of the parent		**6,653**	6,739

These financial statements were approved by the Board of Directors on 25 February 2015 and were signed on its behalf by:

Marcus Kneen
Director

Holly McComb
Director

Group statement of changes in equity

For the 17 month period ended 31 December 2014

Group	Share capital $000	Share premium $000	Other reserve $000	Translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 August 2012	119	2,530	8,080	(46)	18,064	28,747
Profit for the period	-	-	-	-	2,733	2,733
Difference on translation	-	-	-	(529)	-	(529)
Share options exercised by employees	-	57	-	-	-	57
Equity-settled transactions, including deferred tax effect	-	-	-	-	172	172
Dividends paid to equity holders	-	-	-	-	(9,681)	(9,681)
Balance at 31 July 2013	119	2,587	8,080	(575)	11,288	21,499
Balance at 1 August 2013	119	2,587	8,080	(575)	11,288	21,499
Profit for the period	-	-	-	-	4,543	4,543
Difference on translation	-	-	-	1,253	-	1,253
Share options exercised by employees	-	79	-	-	-	79
Equity-settled transactions, including deferred tax effect	-	-	-	-	184	184
Purchase of shares by Benefit Trust	-	-	-	-	(508)	(508)
Dividends paid to equity holders	-	-	-	-	(2,136)	(2,136)
Balance at 31 December 2014	**119**	**2,666**	**8,080**	**678**	**13,371**	**24,914**

Company statement of changes in equity

For the 17 month period ended 31 December 2014

Company	Share capital $000	Share premium $000	Translation reserve $000	Retained earnings $000	Total equity $000
Balance at 1 August 2012	119	2,530	-	11,965	14,614
Profit for the period	-	-	-	1,603	1,603
Share options exercised by employees	-	57	-	-	57
Equity-settled transactions, including deferred tax effect	-	-	-	172	172
Difference on translation	-	-	(26)	-	(26)
Dividends paid to equity holders	-	-	-	(9,681)	(9,681)
Balance at 31 July 2013	119	2,587	(26)	4,059	6,739
Balance at 1 August 2013	119	2,587	(26)	4,059	6,739
Profit for the period	-	-	-	1,685	1,685
Share options exercised by employees	-	79	-	-	79
Equity-settled transactions, including deferred tax effect	-	-	-	184	184
Difference on translation	-	-	102	-	102
Dividends paid to equity holders	-	-	-	(2,136)	(2,136)
Balance at 31 December 2014	**119**	**2,666**	**76**	**3,792**	**6,653**

Consolidated statement of cash flows

For the 17 month period ended 31 December 2014

	17 months ended 31 December 2014 $000	12 months ended 31 July 2013 $000
Cash flows from operating activities		
Profit for the period	**4,543**	2,733
Adjusted for:		
Depreciation and amortisation	**1,322**	568
Financial expense/(income)	**5**	(58)
Share based payment expense	**184**	172
Foreign exchange	**1,137**	(71)
Loss on disposal of property, plant and equipment	**-**	5
Income taxes	**(277)**	532
(Increase)/Decrease in inventories	**(2,916)**	121
Increase in trade and other receivables	**(1,720)**	(3,909)
Increase in trade and other payables	**3,394**	2,049
(Decrease)/Increase in provisions	**(93)**	125
Cash generated from operations	**5,579**	2,267
Income taxes paid	**(33)**	(31)
Net cash inflow from operating activities	**5,546**	2,236
Cash flows from investing activities		
Interest (paid)/ received	**(5)**	58
Acquisition of property, plant and equipment	**(1,554)**	(936)
Acquisition of intangibles	**(117)**	(24)
Net cash outflow from investing activities	**(1,676)**	(902)
Cash flows from financing activities		
Proceeds from the issue of share capital	**79**	57
Company shares acquired by employee trust	**(508)**	-
Dividends paid	**(2,136)**	(9,681)
Net cash outflow from financing activities	**(2,565)**	(9,624)
Net increase/(decrease) in cash and cash equivalents	**1,305**	(8,290)
Cash and cash equivalents at start of period	**1,284**	9,415
Effect of exchange rate fluctuations on cash held	**(30)**	159
Cash and cash equivalents at end of period	**2,559**	1,284

Company statement of cash flows

For the 17 month period ended 31 December 2014

	17 months ended 31 December 2014 $000	12 months ended 31 July 2013 $000
Cash flows from operating activities		
Profit for the period	**1,685**	1,603
Adjusted for:		
Financial income	**(124)**	(146)
Foreign exchange	**56**	-
Decrease in trade and other receivables	**319**	2,102
Decrease in trade and other payables	**-**	(19)
Dividend received from subsidiary	**(1,702)**	(1,586)
Cash generated from operations	**234**	1,954
Net cash inflow from operating activities	**234**	1,954
Cash flows from investing activities		
Interest received	**124**	146
Dividends received	**1,702**	1,586
Net cash inflow from investing activities	**1,826**	1,732
Cash flows from financing activities		
Proceeds from the issue of share capital	**79**	57
Dividends paid	**(2,136)**	(9,681)
Net cash outflow from financing activities	**(2,057)**	(9,624)
Net increase/(decrease) in cash and cash equivalents	**3**	(5,938)
Cash and cash equivalents at 1 August	**1**	5,818
Effect of exchange rate fluctuations on cash held	**1**	121
Cash and cash equivalents at 31 December	**5**	1

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 period ended 31 December 2014 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 February 2015.

(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

(i) Change in presentational currency

The financial statements have been prepared by translating the group's individual functional currency amounts into USD in accordance with the guidance in IAS21 using the procedures outlined below:

- Assets and liabilities were translated into USD at closing rates of exchange (FY2012: £1=$1.57, FY2013: £1=$1.52). Trading results were translated into USD at the rates of exchange prevailing at the dates of transaction, or average rates where they are a suitable proxy (FY2013: £1=$1.57, FY2014: £1=$1.63).
- Share capital, share premium and other capital reserves were translated at the historic rates prevailing at the dates of transactions.
- Differences resulting from the retranslation have been taken to equity.

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

(ii) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and Directors' report on pages 8 to 16. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on pages 4 to 7. In addition, note 19 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. 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Basis of preparation continued

(ii) Going concern continued

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 period are discussed in note 24.

The accounting policies set out below have been applied consistently to all periods 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 US Dollars 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 US Dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to US Dollars 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 period 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 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 period 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 period 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 a range of 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 period, 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 period 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 period, 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) New standards and interpretations not yet adopted

The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements:

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Share based payments (Amendments to IFRS 2)

Operating segments (Amendments to IFRS 8)

Related party disclosures (Amendments to IAS 24)

Fair value measurement (Amendments to IFRS 13)

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 and services. 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 period 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	
	Notes	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000	**2014 $000**	2013 $000
Segment revenue		**28,563**	15,936	**23,761**	12,537	**15,747**	12,721	**14,857**	9,111	**(468)**	(203)	**82,460**	50,102
Segment result		**7,812**	5,293	**6,664**	3,800	**4,565**	3,859	**4,185**	2,974	**(442)**	(195)	**22,758**	15,731
Unallocated expenses										**(18,487)**	(12,524)	**(18,487)**	(12,524)
Operating profit												**4,271**	3,207
Net financing expense	5									**(5)**	58	**(5)**	58
Profit before tax												**4,266**	3,265
Income taxes	6									**277**	(532)	**277**	(532)
Profit for the period												**4,543**	2,733
Assets		**6,444**	3,638	**6,738**	2,655	**2,081**	4,362	**1,688**	4,222	**20,826**	16,184	**37,777**	31,061
Liabilities		**(11)**	(14)	**(10)**	(262)	**(10)**	-	**-**	(2)	**(12,832)**	(9,284)	**(12,863)**	(9,562)
Expenditure incurred on segment non-current assets		**-**	-	**222**	113	**-**	-	**2**	22	**1,447**	824	**1,671**	959
Depreciation and amortisation		**6**	8	**179**	61	**-**	-	**10**	2	**1,127**	497	**1,322**	568

Revenues derived from external customers based in the UK in the 17 month period amounted to $9,701,000 (2013: $6,126,000 for 12 months).

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

2. Segment reporting continued

Analysis of revenue

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Revenues from:		
Products sold	**78,971**	48,101
Support services	**496**	484
Software Upgrade Contracts	**2,993**	1,517
	82,460	50,102

3. Operating profit

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Operating profit is stated after charging/(crediting):		
Depreciation and amortisation	**1,322**	568
Net write down of inventories to realisable value	**453**	364
Allowance for doubtful trade receivables	**405**	319
Research & development expenditure	**8,056**	5,661
Share based payment expense	**184**	172
Audit of these financial statements (Group and Company)	**21**	17
Amounts received by auditors and their associates in respect of:		-
Audit of financial statements of subsidiaries pursuant to legislation	**42**	34
All other services	**21**	19

4. Personnel expenses

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Wages and salaries	**15,433**	9,096
Compulsory social security contributions	**1,590**	929
Contributions to defined contribution pension plans	**526**	285
Equity-settled share based payment transactions	**184**	172
	17,733	10,482

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

	17 months ended 31 December 2014	12 months ending 31 July 2013
Average number of employees, including executive directors and excluding retained agents, by activity		
Selling and distribution	**48**	42
Research & Development	**52**	55
Administration	**22**	18
	122	115

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Remuneration of directors		
Directors emoluments	**996**	623
Company contributions to money purchase pension schemes	**63**	30
	1,059	653

	Number of directors	
	2014 Number	2013 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	**1**	-

5. Net financing expense

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Bank interest (payable)/receivable	**(7)**	33
Interest charged on accounts receivable	**2**	25
Financial (expense)/income	**(5)**	58

6. Income taxes

Recognised in the income statement

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Current tax expense		
UK tax	**-**	-
UK tax – prior period adjustment	**-**	(2)
Overseas tax	**108**	34
Overseas tax – prior period adjustment	**8**	(2)
	116	30
Deferred tax		
Origination and reversal of temporary differences	**(357)**	(203)
Reduction in tax rate	**112**	733
Adjustments relating to prior period trading losses	**(148)**	(28)
	(393)	502
Total income taxes in income statement	**(277)**	532

6. Income taxes continued

Reconciliation of effective tax rate

	17 months ended 31 December 2014		12 months ended 31 December 2013	
	%	**$000**	%	$000
Profit before tax		**4,266**		3,265
Income tax using the UK corporation tax rate	**21.94%**	**936**	23.67%	773
Other permanent differences	**(2.25%)**	**(96)**	(0.14%)	(5)
Non-deductible expenses	**1.95%**	**83**	1.68%	55
Net tax relief on share options	**(0.33%)**	**(14)**	0.24%	8
Research & Development tax credit	**(27.03%)**	**(1,153)**	(31.01%)	(1,013)
Adjustments relating to prior period trading losses	**(3.47%)**	**(148)**	(0.86%)	(28)
Capital allowances in excess of depreciation	**-**	**-**	0.29%	9
Prior period adjustment – current tax	**0.19%**	**8**	(0.05%)	(2)
Overseas taxes payable	**(0.46%)**	**(19)**	1.01%	33
Timing differences	**0.35%**	**14**	(0.96%)	(31)
Effect of tax rate change on deferred tax asset	**2.63%**	**112**	22.47%	733
	(6.49%)	**(277)**	16.34%	532

At 31 December 2014 tax losses generated outside the UK available for offset against future profits, amounted to approximately $2.2 million (2013: $2.4 million); using an income tax rate of 20% (2013: 23.67%) this is equivalent to an asset of $0.4 million (2013: £0.4 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.

7. Earnings per share

	17 months ended 31 December 2014 $000	12 months ending 31 July 2013 $000
Earnings per share		
Profit for the period attributable to equity shareholders (basic and diluted)	**4,543**	2,733

	Cents	Cents
Basic earnings per share	**60.7**	36.5
Diluted earnings per share	**60.5**	36.3

7. Earnings per share continued

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

	2014 number of shares	2013 number of shares
Issued ordinary shares at start of period	**7,574,548**	7,552,276
Effect of weighted average of shares issued during the period from exercise of employee share options	**18,190**	13,688
Effect of purchase of own shares	**(107,735)**	(72,238)
Weighted average number of ordinary shares for the period – for basic earnings per share	**7,485,003**	7,493,726
Effect of share options in issue	**18,129**	44,000
Weighted average number of ordinary shares for the period – for diluted earnings per share	**7,503,132**	7,537,726

Basic earnings per share

The calculation of basic earnings per share for the period ending 31 December 2014 was based on the profit attributable to equity shareholders of $4,543,000 (2013: $2,733,000) and a weighted average number of ordinary shares during the period ending 31 December 2014 of 7,485,003 (2013: 7,493,726), calculated as shown above.

Diluted earnings per share

The calculation of diluted earnings per share for the period ending 31 December 2014 was based on the profit attributable to equity shareholders of $4,543,000 (2013: $2,733,000) and a weighted average number of ordinary shares during the period ending 31 December 2014 of 7,503,132 (2013: 7,537,726), calculated as shown above.

8. 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 2012	1,041	595	1,065	-	**2,701**
Additions	237	205	152	342	**936**
Disposals	(85)	-	(3)	-	**(88)**
Effect of movements in foreign exchange	(37)	(21)	(34)	(10)	**(102)**
Balance at 31 July 2013	1,156	779	1,180	332	**3,447**
Balance at 1 August 2013	1,156	779	1,180	332	**3,447**
Additions	399	34	353	768	**1,554**
Disposals	(73)	(12)	(24)	(15)	**(124)**
Effect of movements in foreign exchange	84	45	82	(1)	**210**
Balance at 31 December 2014	1,566	846	1,591	1,084	**5,087**
Depreciation					
Balance at 1 August 2012	812	242	810	-	**1,864**
Depreciation charge for the period	157	16	191	97	**461**
Disposals	(83)	-	-	-	**(83)**
Effect of movements in foreign exchange	(28)	(7)	(28)	(2)	**(65)**
Balance at 31 July 2013	858	251	973	95	**2,177**
Balance at 1 August 2013	858	251	973	95	**2,177**
Depreciation charge for the period	298	122	249	508	**1,177**
Disposals	(73)	(12)	(24)	(1)	**(110)**
Effect of movements in foreign exchange	68	10	67	(4)	**141**
Balance at 31 December 2014	1,151	371	1,265	598	**3,385**
Net book value					
At 1 August 2012	229	353	255	-	**837**
At 31 July 2013 and 1 August 2013	298	528	207	237	**1,270**
At 31 December 2014	415	475	326	486	**1,702**

9. Intangible assets

	Computer software $000
Cost	
Balance at 1 August 2012	**436**
Additions	**24**
Effect of movements in foreign exchange	**(15)**
Balance at 31 July 2013	**445**
Balance at 1 August 2013	**445**
Additions	**117**
Effect of movements in foreign exchange	**34**
Balance at 31 December 2014	**596**
Amortisation and impairment losses	
Balance at 1 August 2012	**227**
Amortisation for the period	**107**
Effect of movements in foreign exchange	**(11)**
Balance at 31 July 2013	**323**
Balance at 1 August 2013	**323**
Amortisation for the period	**145**
Effect of movements in foreign exchange	**25**
Balance at 31 December 2014	**493**
Net book value	
At 1 August 2012	**210**
At 31 July 2013 and 1 August 2013	**123**
At 31 July 2014	**103**

10. Investments in subsidiaries

Company	31 December 2014 $000	31 July 2013 $000
Cost		
At start of period	**2,400**	2,307
Increase in respect of share based payments	**184**	172
Difference on translation	**45**	(79)
At end of period	**2,629**	2,400

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.

10. Investments in subsidiaries continued

IndigoVision Limited owns 100,000 common stock shares of $0.01 (100%) of IndigoVision Inc, a company incorporated in the USA and 9,999 ordinary shares of 1 Brazillian Real (99.99%) of IndigoVision Soluções de Segurança Eletrônica Ltda. The principal activity of both these companies is the marketing of the Group's software and hardware products as well as product assembly, product repair and warehousing.

IndigoVision Limited owns 1 ordinary share of $1 (100%) of IndigoVision Pte Ltd, a company incorporated in Singapore, and share capital 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.

11. Deferred tax assets and liabilities

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	31 December 2014 $000	31 July 2013 $000
Employee benefits – share based payments	**74**	68
Value of tax losses carried forward	**5,231**	4,789
Depreciation in excess of capital allowances	**27**	81
Other timing differences	**5**	6
	5,337	4,944

Unrecognised deferred tax assets

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

	31 December 2014 $000	31 July 2013 $000
Tax losses – non UK	**448**	424
	448	424

Movement in temporary differences during the period

	1 August 2012 $000	Recognised in income $000	Foreign exchange $000	31 July 2013 $000
Employee benefits – share-based payments	68	-	-	**68**
Tax value of losses carried forward	5,381	(430)	(162)	**4,789**
Depreciation in excess of capital allowances	151	(70)	-	**81**
Other timing differences	8	(2)	-	**6**
	5,608	(502)	(162)	**4,944**

11. Deferred tax assets and liabilities continued

Movement in temporary differences during the period continued

	1 August 2013 $000	Recognised in income $000	**31 December 2014 $000**
Employee benefits – share-based payments	68	6	**74**
Tax value of losses carried forward	4,789	442	**5,231**
Depreciation in excess of capital allowances	81	(54)	**27**
Other timing differences	6	(1)	**5**
	4,944	393	**5,337**

12. Inventories

	31 December 2014 $000	31 July 2013 $000
Raw materials and consumables	**828**	1,691
Finished goods	**9,568**	5,789
	10,396	7,480

The write-down of inventories to net realisable value amounted to $453,000 (2013: $364,000). In the 17 month period, raw material, consumables and changes to finished goods recognised as cost of sales amounted to $33,996,000 (2013: $21,251,000 for the 12 months).

13. Trade and other receivables

	Group		Company	
	31 December 2014 $000	31 July 2013 $000	**31 December 2014 $000**	31 July 2013 $000
Trade receivables	**16,701**	14,877	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**3,204**	3,956
Amounts due from other related parties	**-**	-	**815**	382
Other receivables	**298**	421	**-**	-
Prepayments and accrued income	**681**	662	**-**	-
	17,680	15,960	**4,019**	4,338

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 19.

14. Cash and cash equivalents

	Group		Company	
	31 December 2014 $000	31 July 2013 $000	**31 December 2014 $000**	31 July 2013 $000
Bank balances	**2,559**	1,284	**5**	1
Cash and cash equivalents in the statement of cash flows	**2,559**	1,284	**5**	1

The Group's exposure to interest rate risk is disclosed in note 19.

15. Capital and reserves

	Ordinary shares	
	As at 31 December 2014 Number of shares	As at 31 July 2013 Number of shares
In issue at start of period	**7,574,548**	7,552,276
Issued for cash on exercise of employee share options	**30,208**	22,272
In issue at end of period – fully paid	**7,604,756**	7,574,548

At 31 December 2014, the issued share capital comprised 7,604,756 ordinary shares (2013: 7,574,548) 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 period 30,208 ordinary shares of 1 pence each were issued, 5,208 at 1 pence per share and 25,000 at 194.5 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 company and subsidiaries where their functional currency is different from the group presentation currency.

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 $848,579 (2013: $393,385) representing the cost of own shares held within the Employee Benefit Trust. The nominal value of own shares held is £1,320.

16. 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.

16. 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 £150 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 £1,800 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 $3,000 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 December 2014, 132,000 shares in the Company had been acquired by the Employee Benefit Trust.

16. 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			
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
19 December 2013	12,234	3 years from date of grant	10 years
The 2000 Unapproved Share Option Plan			
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
19 December 2013	15,266	3 years from date of grant	10 years
The 2000 Stock Option/Issuance Plan			
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

16. 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
19 December 2013	4,000	Individually determined (typically 3 years)	10 years
The Stand-Alone Option Agreements			
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
19 December 2013	83,000	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
19 December 2013	92,500	Individually determined (typically 3 years)	10 years

16. Share based payments continued

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

	17 months ended 31 December 2014		12 months ended 31 July 2013	
	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 period	**5.23**	**53,560**	4.56	72,560
Forfeited during the period	**5.54**	**(5,427)**	3.50	(9,000)
Exercised during the period	**-**	**-**	1.95	(10,000)
Outstanding at the end of the period	**5.20**	**48,133**	5.23	53,560
The 2000 Unapproved Share Option Plan				
Outstanding at the beginning of the period	**4.39**	**51,440**	4.39	51,440
Forfeited during the period	**8.68**	**(573)**	-	-
Exercised during the period	**1.95**	**(25,000)**	-	-
Outstanding at the end of the period	**6.65**	**25,867**	4.39	51,440
The 2000 Stock Option / Stock Issuance Plan				
Outstanding at the beginning of the period	**7.38**	**1,500**	7.38	1,500
Exercised during the period	**-**	**-**	-	-
Outstanding at the end of the period	**7.38**	**1,500**	7.38	1,500
The 2008 Approved Share Option Plan				
Outstanding at the beginning of the period	**3.77**	**33,548**	3.87	27,911
Granted during the period	**3.59**	**12,234**	3.49	13,437
Forfeited during the period	**4.87**	**(751)**	3.64	(7,800)
Outstanding at the end of the period	**3.71**	**45,031**	3.77	33,548
The 2008 Unapproved Share Option Plan				
Outstanding at the beginning of the period	**4.31**	**13,752**	4.69	9,589
Granted during the period	**3.59**	**15,266**	3.49	4,563
Forfeited during the period	**4.87**	**(2,749)**	4.06	(400)
Outstanding at the end of the period	**3.83**	**26,269**	4.31	13,752
The 2008 Stock Option Plan				
Outstanding at the beginning of the period	**8.26**	**1,100**	8.26	1,100
Granted during the period	**3.59**	**4,000**	-	-
Forfeited during the period	**5.29**	**(3,000)**	-	-
Outstanding at the end of the period	**3.61**	**2,100**	8.26	1,100
The Stand Alone Option Agreements				
Outstanding at the beginning of the period	**1.08**	**175,600**	2.08	153,500
Granted during the period	**1.00**	**83,000**	0.00	70,000
Forfeited during the period	**1.02**	**(114,792)**	0.29	(35,628)
Exercised during the period	**0.01**	**(5,208)**	0.83	(12,272)
Outstanding at the end of the period	**1.12**	**138,600**	1.08	175,600

The weighted average share price at the date of exercise of share options exercised during the 17 month period was £1.61 (2013: 4.11 for the 12 months).

The options outstanding at the period-end have an exercise price in the range of £0.00 to £8.68 (2013: £0.00 to £8.68) and a weighted average remaining contractual life of 6.1 years (2013: 6.2 years).

16. Share based payments continued

The options outstanding at 31 December 2014 have an exercise price in the ranges summarised below:

Exercise Price Range	**Number of options outstanding at 31 December 2014**	Weighted average remaining contractual life (years)
£0.00 - £0.65	**100,000**	8.5
£1.945 - £4.06	**101,000**	7.1
£4.490 - £5.683	**64,000**	2.0
£8.23 - £8.683	**22,500**	2.4
	287,500	6.1

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on the Black Scholes model. The model has used an expected life of options of between 3.5 and 4 years, a risk free discount rate of between 1.19% and 5.75% and historical share price volatility at the date of grant range of between 33% and 72.2%.

LTIPs	**2014 number**	2013 number
Outstanding at the beginning of the period	**206,000**	**154,760**
Granted during the period	**92,500**	**82,000**
Forfeited during the period	**(39,745)**	**(30,760)**
Outstanding at the end of the period	**258,755**	**206,000**

The total charge recognised for the period arising from share based payments was $184,000 (2013: $171,000).

Recognised in income statement	**2014 $000**	2013 $000
Share options granted in 2010	**(1)**	8
Share options granted in 2011	**7**	25
Share options granted in 2012	**40**	88
Share options granted in 2013	**30**	50
Share options granted in 2014	**108**	-
Total expense recognised as employee costs (note 4)	**184**	171

17. Provisions

Product warranties	**2014 $000**	2013 $000
Balance at start of period	**275**	157
Provision made during the period	**286**	513
Provision used during the period	**(400)**	(386)
Effect of movements in foreign exchange	**21**	(9)
Balance at end of period	**182**	275
Non-current	**45**	68
Current	**137**	207
	182	275

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.

18. Trade and other payables

	31 December 2014 $000	31 July 2013 $000
Trade payables	**8,092**	6,183
Taxation and social security	**259**	269
Other payables	**261**	157
Accruals and deferred income	**4,069**	2,678
	12,681	9,287

Within other payables $6,000 (2013: $6,000) relates to non-current liabilities in respect of the International Agents Incentive plan. The Company has no exposure to trade or other payables.

19. Financial instruments

The Group's principal financial instruments as at 31 December 2014 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 periods ended 31 December 2014 and 31 July 2013, 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	31 December 2014 $000	31 July 2013 $000	31 December 2014 $000	31 July 2013 $000
Trade and other receivables	**13**	**17,680**	15,960	**4,019**	4,338
Cash and cash equivalents	**14**	**2,559**	1,284	**5**	1
		20,239	17,244	**4,024**	4,339

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:

	31 December 2014 $000	31 July 2013 $000
Europe, Middle East and Africa	**6,356**	3,638
North America	**6,527**	2,655
Latin America	**1,761**	4,362
Asia Pacific	**2,057**	4,222
	16,701	14,877

19. Financial instruments continued

Impairment losses

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

	Gross 31 December 2014 $000	**Impairment 31 December 2014 $000**	Gross 31 July 2013 $000	Impairment 31 July 2013 $000
Not past due	**9,801**	**-**	8,182	-
0-30 days overdue	**2,809**	**-**	2,081	-
31-60 days overdue	**1,051**	**-**	2,531	-
More than 61 days overdue	**3,735**	**(695)**	2,473	(390)
	17,396	**(695)**	15,267	(390)

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 period was as follows:

	2014 $000	2013 $000
Balance at start of the period	**(390)**	(265)
Impairment loss recognised	**(275)**	(136)
Effect of movement in foreign exchange	**(30)**	11
Balance at end of period	**(695)**	(390)

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 US Dollars. The currencies giving rise to this risk are primarily Sterling and Euros.

The Group's revenue is denominated in US Dollars (currently approximately 76%), Sterling (currently approximately 12%), Euros (currently approximately 10%) and other currencies (currently approximately 2%).

The majority of the Group's cost of sales is denominated in US Dollars. The majority of the Group's other operating expenses are in Sterling.

For monetary assets and liabilities held in currencies other than US Dollars, 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 has investments in foreign operations whose net assets are exposed to currency translation risk. This currency exposure is not significant.

19. Financial instruments continued

Financial assets and financial liabilities by currency	Note	Group 31 December 2014 $000	 31 July 2013 $000
Sterling trade and other receivables	13	**2,311**	2,522
Euro trade and other receivables	13	**2,204**	1,177
Other currency trade and other receivables	13	**629**	-
Sterling cash and cash equivalents	14	**195**	163
Euro cash and cash equivalents	14	**97**	78
Other currency cash and cash equivalents	14	**190**	-
Sterling trade and other payables	18	**(2,157)**	(2,187)
Other currency trade and other payables	18	**(77)**	(409)

All of the Company's financial assets and liabilities are denominated in Sterling.

The following significant exchange rates applied during the period

	Average rate		Period end rate	
	17 months ended 31 December 2014	12 months ended 31 July 2013	**31 December 2014**	31 July 2013
Sterling to US Dollar	**0.6132**	0.6380	**0.6427**	0.6575
Euro to US Dollar	**0.7466**	0.7753	**0.8221**	0.7556

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 $4m which is subject to interest at the Bank of England base rate plus 2.5%. The facility is renewed annually. As at 31 December 2014 the Group was not utilising the overdraft facility and has cash and cash equivalents of $2,559,000 (31 July 2013: $1,284,000). 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 December 2014 **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	12,681	(12,681)	(12,675)	-	(6)	-
	12,681	**(12,681)**	**(12,675)**	**-**	**(6)**	**-**

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 21. The board monitors return on capital, which the Group defines as profit before tax divided by total assets less current liabilities.

19. Financial instruments continued

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

It is estimated that a general increase of five percent in the value of Sterling against the US Dollar would have decreased the Group's profit before tax by approximately $902,000 for the 17 month period ended 31 December 2014 (2013: decrease of $951,000 for 12 months) and a general increase of five percent in the value of US Dollar against the Euro would have decreased the Group's profit before tax by approximately $226,000 (2013: $312,000 for 12 months).

Fair values

The nominal value of cash and cash equivalents, trade and other receivables, and trade and other payables of $7,558,000 (2013: $7,957,000) is deemed to reflect materially 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 $4,024,000 (2013: $4,339,000).

20. Operating leases

Non-cancellable operating lease rentals are payable as follows.

	31 December 2014 $000	31 July 2013 $000
Lease rentals due within:		
Less than one year	**604**	497
Between one and five years	**1,533**	1,553
More than five years	**61**	922
	2,198	2,972

During the 17 month period ended 31 December 2014, $935,000 was recognised as an expense in the income statement in respect of operating leases (2013: $566,000 for 12 months).

The Group leases premises in the UK, USA, Canada, Macau, Brazil and Dubai under operating leases. The UK head office lease expires in February 2021 and the leases for all other premises expire in August 2016 or earlier.

21. Capital commitments

As at 31 December 2014 the Group had no contracts to purchase property, plant and equipment (2013: $nil).

22. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see notes 10 and 23), employee benefit trust (see note 15) 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 8.5 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 the Directors' report on page 14.

Transactions with subsidiaries

During the 17 month period the Company was charged a management fee of $126,000 (2013: $113,000 for 12 months) by its subsidiary IndigoVision Ltd.

During the 17 month period the Company charged interest on cash balances loaned to its subsidiary IndigoVision Ltd of $124,000 (2013: $146,000 for 12 months).

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

At the period end, IndigoVision Ltd owed the Company $3,195,000 (2013: $3,948,000).

23. Group entities

Significant subsidiaries

		Ownership interest	
		2014	2013
	Country of incorporation	**%**	**%**
IndigoVision Ltd	Scotland	**100**	100
IndigoVision Inc	United States of America	**100**	100
IndigoVision Pte Ltd	Singapore	**100**	100
IndigoVision Video Security Solutions Ltd	Macau	**100**	100
IndigoVision Soluções de Segurança Eletrônica Ltda	Brazil	**100**	-
IndigoVision UK Ltd	England	**100**	-

24. 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 16 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.

Deferred tax asset

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

Inventories

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

Trade receivables

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

Research and development costs

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

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Shareholder calendar

30 April 2015	Annual General Meeting
14 May 2015	Dividend paid
17 September 2015	Interim results for the 6 months ending 30 June 2015
3 March 2016	Annual report and accounts for the year ending 31 December 2015