

PHOTO-ME INTERNATIONAL PLC

REGISTERED NO: 735438

REPORT AND ACCOUNTS

YEAR TO: 30 APRIL 2000



Instant worldwide technology

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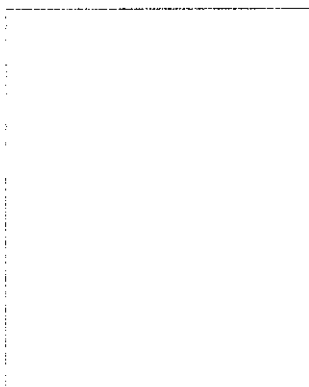
Corporate Statement

PMI is the world's leading operator and manufacturer of automatic photobooths and a leading manufacturer of professional photographic processing equipment. In both areas, new products are increasingly focused on digital technology and the Internet including the PhotoPlanet photobooth (in partnership with British Telecommunications plc) and the DKS minilab.

In the area of Operations, PMI's strategy is principally to exploit its unique network of sites in high footfall areas around the world by extending the range of services offered.

The Group's manufacturing strategy is to develop applications for its patented LCD booster technology, to include, in addition to the DKS minilab, the Photovision 2 photobooth and self-service digital photo printing kiosks – the basis of the joint venture with SanDisk Corporation Inc.

Chairman's Statement



1999/2000 was a year of technological progress for PMI. Encouragingly for the future, we launched both our LCD (liquid crystal display) booster technology in our revolutionary DKS (digital KIS system) minilab and our PhotoPlanet photobooth with Internet access. We included the Internet as a priority feature in all our research and development activities. Additionally, since the year end, we have signed an important joint venture agreement to manufacture and operate self-service digital photo printing kiosks.

Financial Overview

On turnover of £200.1 million (1998/99: £197.5 million), PMI achieved a pre-tax profit of £21.8 million (1998/99: £20.0 million) or, if this year's £1.8 million profit on disposal of Group undertakings is excluded, an underlying pre-tax profit of £20.0 million. Basic earnings per share were 3.42p or 2.92p on an underlying basis (1998/99: 3.96p), after an effective tax rate of 48.6 per cent (1998/99: 27.9 per cent).

A more detailed analysis of the results will be found in the Financial Review.

Dividends

In view of the Board's confidence in the business, an increased final dividend of 1.2p (1999: 1.06p) per share is proposed. If approved at the Annual General Meeting on 20 October 2000, the dividend will be paid on 2 January 2001 to shareholders on the register at close of business on 27 October 2000. Together with the interim dividend of 0.5p (1999: 0.44p) per share, total dividends are 1.7p (1999: 1.5p) per share.

Stock Market

In September 1999, Photo-Me International was re-classified by The Stock Exchange into the new "Media and Photography" sector from its previous classification within "Support Services". The new categorisation is more appropriate for the Company having regard to its new areas of activity.

Following the approval of the shareholders at the Annual General Meeting on 20 October 1999, each of the Company's Ordinary shares which had a nominal value of 2.5p were subdivided into five Ordinary shares of 0.5p nominal value. This share split was effected as at 8 November 1999 and was undertaken to improve the liquidity of the Company's shares.

Acquisition of Minority Interest in Japanese Subsidiary

At the Extraordinary General Meeting on 30 June 1999, shareholders approved the purchase by the Company of the 49.8 per cent minority interest in the Group's Japanese subsidiary, Nippon Auto-Photo K.K. The consideration was £25.2 million, satisfied by the payment of £2.2 million in cash, with the balance through the transfer of older generation photobooths and equipment which were surplus to the Group's requirements. As noted in the Chief Executive's Review, Nippon Auto-Photo has continued to perform very well this year.

Directors and Staff

In January 2000 Jean-Luc Peurois was appointed to the position of Group Finance Director, replacing Peter Berridge who retired from his executive duties after 29 years with the Group including ten years as a director. Jean-Luc has been an executive director since 1994 and was previously the Finance Director of the Group's Continental European operations. I would like to take this opportunity to wish Jean-Luc every success in his new and challenging position and also to thank Peter for his enthusiasm, dedication and commitment throughout his involvement with the Group.

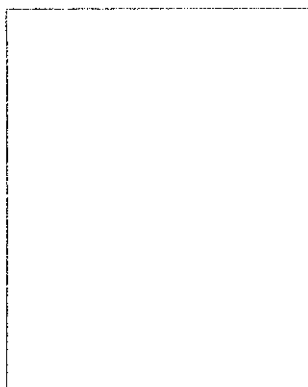
In the light of the changing nature of PMI's business, the Board has for some time been mindful that it is necessary to change the structure of the Board, strengthen it and reduce its size. Accordingly, proposals include the appointment of an appropriate non-executive Deputy Chairman and other independent non-executive directors. The process for recruiting such individuals is already underway and it is hoped to announce the first of these appointments by the time of the Annual General Meeting on 20 October 2000. As a first step in the restructuring of the Board, one of the non-executive directors, David Miller, a former Group Managing Director of PMI, resigned on 16 August 2000.

We are developing an outstanding team under Serge Crasnianski who, in order to be closer to Group headquarters, has moved his residence from France to the UK. I would like to extend my thanks for the enthusiastic and loyal support of all our employees throughout the world for what they have already achieved and for what I am sure they will continue to generate in the future.

Dan David
Chairman

A handwritten signature in black ink, appearing to read 'Dan David', written in a cursive style.

Chief Executive's Review



During the year under review, the Group made significant progress in the development and implementation of new technology in both its Operations and Manufacturing activities. From its existing core photobooth business, which has predominantly been the base of the Group's growth to date, the future will see the development of equipment using the patented LCD booster technology and the broadening of activities through Internet-related developments.

Operations

PMI is a global company but it has three major operational areas – the UK & Ireland, France and Japan. In the UK & Ireland (with 7,500 sites, including 5,300 photobooths) turnover increased strongly and margins improved. The UK benefited from a full year of child passports (introduced in October 1998), the requirement for photocard versions of new driving licences being extended to all categories of applicant in July 1999 and from an increase in the photobooth vend price to £3.00 from £2.50 in

August 1999. However, new competitors have entered the market and commissions to site owners have increased in certain areas.

In April 2000, we commenced the installation of PhotoPlanet booths in the UK, following the partnership agreement which was signed with British Telecommunications in May 1999. The PhotoPlanet is a revolutionary multimedia photobooth offering a unique combination of photographic and Internet services. Although it is still early days, PhotoPlanet has comfortably exceeded our initial expectations. The revenue stream should come through strongly in the coming year. The first 100 PhotoPlanets have

PhotoPlanet

PhotoPlanet has been developed in conjunction with BT and offers a unique combination of photographic and Internet services. Benefiting from the latest digital technology, PhotoPlanet is able to deliver passport and driving licence approved photographs in less than one minute. Customers can also create hard copies of personalised postcards, fun photographs and stickers and are able to send them to friends over the Internet. Access to the worldwide web is provided as well as

the facility to create one's own web page, with photograph. Online shopping is also available. In addition, PhotoPlanet contains an external video screen which uses DVD technology to allow advertisers to show commercials. Advertising revenue is also generated from thumbnails on web pages. It is intended to expand the products offered from PhotoPlanet by adding print-to-print, digital camera development and additional Internet services.

now been installed. We plan to install 1,000 PhotoPlanet booths in the UK by June 2001 and we expect to launch PhotoPlanet in mainland Europe and Japan in the near future.

Following a very successful year in 1998/99 due to increased identification legislation, France (with 7,700 operating sites of which 5,000 relate to photobooths) was flat. France also has a large coin-operated photocopier activity comprising 1,600 machines, and operates 1,000 express card machines which offer customers the facility of designing and printing their own visiting cards, announcements, etc.

Japan (with 3,600 sites, including 3,400 photobooths) has benefited this year from the renewed demand for driving licence photographs, the assumption of 100 per cent control by the Group and cost reductions. In Sterling terms, assisted by the strengthening of the Yen over the year, revenues and profits have increased significantly.

Operations elsewhere in the world have been subject to ongoing rationalisation and reorganisation in order to improve their performance in the year ahead.

The year has also seen the introduction of a new mini-booth, which adopts digital photographic technology, into many of our operations. The mini-booth has a very small "footprint" enabling it to be sited in locations which could not previously accommodate a photobooth.

By the year end, the number of sites operated worldwide was 26,000, including 20,000 photobooths, of which 9,000 were digital – including Photovisions, mini-booths and the first PhotoPlanets.

Instant global communication
within your touch

Chief Executive's Review continued

Manufacturing

Manufacturing comprises the manufacture of photoprocessing equipment for operation by third parties or in joint ventures and of photobooths, primarily for operation by PMI. Following the closure of our UK factory in early 1999, all manufacturing and R&D activity is located at our plant in Grenoble, France.

1999/00 has been a year of transition for Manufacturing. The DKS minilab is the first commercial application of our revolutionary LCD technology. The imminent availability of the DKS naturally suppressed sales of our analogue AKS minilabs. Our high level of R&D expenditure continued. With approximately 100 people employed in this area, we are confident that there will be significant future benefits from R&D.

Manufacturing at PMI will in the future be a more substantial business. We are very excited about the prospects for manufacturing an increased range of kiosks and minilabs that use our patented technology and allow the Internet to be used to offer a broader range of services. The growth in digital cameras and the advantages digital minilabs have over conventional analogue machines, together with the obvious interaction of the Internet with remote retailing kiosks, provides an excellent environment for our Manufacturing division.

The Year Ahead

Our strategy is principally to exploit our network of sites in high footfall areas around the world by extending the range of services offered and developing applications for our unique LCD booster technology. Our factory at Grenoble started producing DKS minilabs in July 2000. To date, we have received more orders than we expected, including an important contract to supply Shashinyasan 45

Digital KIS System (DKS)

The DKS is a fully digital minilab which can process traditional 35mm and APS film as well as digital inputs from sources such as digital cameras, CD Rom, floppy disks and the Internet.

Using the Group's patented LCD booster technology, the DKS is able to produce prints of perfect quality on low cost silver-halide photographic paper.

The DKS offers ease of use through a touch screen which provides the operator with the technology to effect automatic image correction and enhancement.

The DKS is positioned to set the standard for digital photo processing.

– one of the largest photographic store chains in Japan, with more than 600 retail sites – with an initial order of 62 DKS minilabs. By itself, this relationship could have a material positive effect on our manufacturing business. We are currently in the process of negotiating with other large chain stores that propose to use our DKS minilabs.

We estimate that the world market for minilabs is approximately 150,000. With the increased popularity of digital cameras and the other benefits of digital minilabs in improving the quality of photographic output from conventional 35mm or APS films, conventional minilabs will become obsolete and there will be a requirement to replace them. PMI, through its French subsidiary KIS, is very well positioned to capture a large part of this market. Because of the good reception that the new DKS minilab has received, we will need to set up new production lines and increase staffing levels in order that we can deliver in the current year on orders for an expected 500–1,000 machines.

The LCD booster, which is at the centre of our digital photographic technology, will also be applied in new products which are scheduled for introduction this year. New products include the Digital Photo Kiosk (a vending kiosk designed to develop digital pictures instantly), which is the basis of the joint venture with SanDisk as detailed below, and Photovision 2 (an improved version of a Photovision booth offering additional features).

With the intended investment in PhotoPlanet and the rapid expansion of manufacturing activities for non-photobooth products, it has been decided to extend the life of our older photobooths. These photobooths remain very robust and continue to provide excellent quality ID photographs. "Fun" related products have been an important factor in improving sales in operations and we will continue to add such products to our machines with a view to their complementing our core ID business.

Instant digital processing
at your service

Chief Executive's Review continued

We recently lost the contract, as of 30 November 2000, with part of the UK Post Office (on whose premises approximately 2 per cent of our global number of photobooths is sited) as we were not prepared to raise site ownership commissions; sites have already been identified close to affected Post Offices to replace this lost business at sensible commission levels. Drawing upon unrivalled market experience, it is not the Group's policy to follow the unreasonable commission structures which have been offered by others. The Group prefers to compete by offering world-beating technology, the strength of its service force (including tele-maintenance) and the quality of products for its customers in order to maintain and improve its market share.

We are continuing to work on various options in the field of Internet kiosks supplying photos, music and software and we are planning to launch these in 2001. We will, however, not be going forward with Musicmaker.com, with which an agreement was signed in October 1999, since it is no longer in a position to proceed. Instead, we will be collaborating with other partners and expect to install music kiosks for trials in the UK and France in October 2000.

In June 2000, PMI and WebPhotos.com of Maryland, USA signed an agreement to develop WebPhotos.com's Internet portal for storing, sharing and printing photographs on line. In addition, PMI acquired 20 per cent of the outstanding shares of common stock of WebPhotos.com, together with an option to acquire a further 10 per cent. We anticipate making further investments in similar areas.

With effect from June 2000 PMI's Dutch subsidiary, Prontophot Holland B.V., commenced a one year renewable contract to service the BT payphones situated in The Netherlands, of which there are currently approximately 1,000.

Photovision

The Photovision photobooth offers a wide range of formats including ID and mini-ID photos, portraits and a selection of 'fun' pictures, in either colour or black & white.

With its video screen presentation and clear voice instructions the Photovision is specifically designed to be user-friendly and convenient for everyday identification requirements.

Fun options are designed to produce incremental revenues.

VALIDATE UK

Photo-Me International sponsors VALIDATE UK, a voluntary proof of age card for young people aged 12–18 years and over. The scheme aims to ensure that age restricted products are only sold to those legally entitled to buy them; it also helps those who may look younger than they are, to prove their age. VALIDATE UK operates in 49 local authorities across the UK and has gained government recognition and acceptance by major retailers. More information is available at www.validateuk.co.uk.

On 9 August 2000, PMI announced the creation of a 50/50 joint venture, to be called DigitalPortal Inc, with SanDisk Corporation Inc. (NASDAQ: SNDK), the world's leading supplier of flash data storage products, to operate self-service digital photo printing kiosks in the USA and Canada. It is intended that DigitalPortal will annually deploy a minimum of 2,000 kiosks for 10 years and this will commence in December 2000. PMI will be responsible for the manufacture of the kiosks at its Grenoble facility and, through its operations in the USA, will also be responsible for the installation and maintenance of the kiosks. DigitalPortal will be based in SanDisk's Sunnyvale, California headquarters.

Prospects

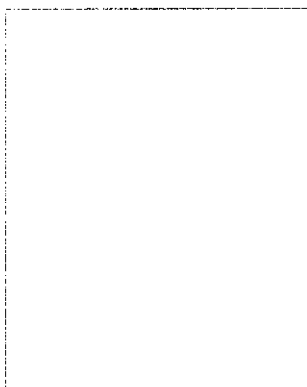
With assistance from the DKS minilab, the digital photo printing kiosk and the PhotoPlanet, we are confident of a satisfactory performance in 2000/01. As manufacturing becomes an increasingly important element of PMI's business, profits will necessarily be that much more dependent on the timing of the winning and roll out of major contracts. We also believe that very substantial benefits will accrue in future years from the Group's exploitation of both its technology – notably its LCD booster patent and Internet-related developments – and its unique network of sites in high footfall areas.



Serge Crasnianski
Chief Executive Officer

Instant original ID
for everybody, everyday

Financial Review



In order to assist readers of our report and accounts and to make comparisons more meaningful, the exceptional items reported in 1998/99, which related to the write down of older photobooths and restructuring costs, have been excluded from the analysis of our results below. In addition comparatives have been adjusted to take account of the 5 for 1 share split.

Turnover of £200.1 million was 1.3 per cent higher than last year, with stronger sales in Operations (up 4.8 per cent to £166.0 million, 83 per cent of the total) compensating for lower Manufacturing turnover.

Third party Manufacturing sales were 13 per cent lower at £34.1 million, as the business focused on the development of the DKS minilab and as 1998/99 had benefited from the completion of a substantial contract to supply equipment to the USA. The fall in Manufacturing sales has affected margins. However, savings in administration expenses have limited the reduction in operating profit, which is 3.6 per cent lower at £22.6 million. Profit on disposal of Group undertakings of £1.8 million, which arises largely from the write-back of negative goodwill on their original acquisition, contributed to an increased profit before taxation of £21.8 million. This increase of 8.5 per cent from £20.0 million in 1998/99 is after charging £0.4 million loss on exchange, compared with a profit on exchange in the prior year of £0.5 million.

This year saw the UK & Ireland as the principal contributor to pre-tax profit with £12.1 million (1998/99: £7.3 million) on a turnover of £60.8 million (1998/99: £62.9 million). This result principally reflected a strong performance from Operations and benefits of re-structuring including the closure of the UK manufacturing activity in the previous year.

After an exceptionally good year in 1998/99, the results from Continental Europe have been affected by the weakening Euro and lower Manufacturing activity. Continental Europe contributed profit before taxation of £4.9 million (1998/99: £11.9 million) on a turnover of £82.6 million (1998/99: £85.1 million).

The Americas continued to be a difficult market with the local management teams implementing new strategies during 1999/00. The associated costs have been incurred this year, but the benefits have not yet been realised, leading to an increase in losses to £2.9 million from the prior year's £2.0 million.

The profit from Asia increased by 167 per cent to £7.6 million (1998/99: £2.8 million) on a turnover of £45.3 million (1998/99: £35.3 million). A strong operating performance in Japan, with an increased turnover and operating margin, assisted by the stronger Yen, was the principal reason for this excellent performance.

Interest

Borrowings were at a lower average level during the year compared to 1998/99, resulting in a decrease in interest payable to £3.4 million (1998/99: £3.9 million). Interest is seven times (1998/99: six times) covered by profits before interest and taxation.

Taxation

The Group has experienced a significant increase in its effective tax rate this year to 48.6 per cent, compared with 27.9 per cent in 1998/99. The 1998/99 rate was

particularly low, because profits in countries where tax rates are significantly higher than the UK were covered by the use of brought forward tax losses. It has not been possible to repeat this benefit this year as these losses had been fully utilised. In addition losses occurring in the Americas cannot be offset against profits in other territories. Furthermore, there are local tax liabilities in respect of the transfer of assets used as consideration for the acquisition of the Japanese minority interest, although the profit is not treated as realised in the Group Profit and Loss Account. A re-evaluation of prior year deferred tax provisions in certain overseas subsidiaries has also contributed £1.3 million to the tax charge of £10.6 million.

Earnings per Share and Dividends

Due to the exceptionally high taxation charge, the profits attributable to shareholders decreased by 13.5 per cent to £12.3 million and earnings per share fell to 2.92p against 3.96p in the previous year. After taking into account exceptional items, earnings per share amounted to 3.42p against (0.21p) in the previous year.

Dividends for the year total 1.7p (1998/99: 1.5p) per share, representing an increase of 13.3 per cent over 1998/99. Dividends are twice covered by profits attributable to shareholders.

The Acquisition of the Japanese Minority Interest

At an Extraordinary General Meeting held on 30 June 1999 the Company's shareholders approved the acquisition of the 49.8 per cent minority interest in the issued share capital of its Japanese subsidiary Nippon Auto-Photo K.K. not already owned.

The objective of the Board was to create shareholder value by investing in one of our larger profitable subsidiary operations in a major market. The consideration for the shares not already owned in Nippon Auto-Photo K.K. was £25.2 million, which was to be satisfied by the payment of £2.2 million in cash and older generation photobooths valued at £23.0 million.

At the time of the announcement of the acquisition of the minority interest in Nippon Auto-Photo K.K. it was envisaged that the value of assets to be transferred as consideration would approximate to their net book value. However, when the specific assets to be supplied to the vendor of the 49.8 per cent interest were identified and agreed, the net book value of these assets was lower than expected, giving rise to a surplus of £10.4 million. The specific assets agreed included photobooth parts, as well as second hand photobooths.

The Board had intended to reflect this £10.4 million as a profit in the Profit and Loss Account. However, it was not until the detailed financial statements were drafted that the auditors requested this profit be disclosed as an exceptional item. Shortly thereafter, during the auditors' internal technical review of the draft consolidated accounts, the recognition of this profit as a realised profit was questioned. Once the Board was made aware of this matter, a trading statement was issued on 3 August 2000, which also indicated that there would be a delay in the preliminary announcement of our results.

Subsequently, the Board has obtained an opinion from Leading Counsel. This opinion supports the Board's original intention to recognise the profit in the Profit and Loss Account as having been realised. However, the Board has decided, in agreement with our auditors, to treat this amount in the consolidated financial statements as a reduction in the goodwill arising on the acquisition.

Financial Review continued

Funding and Treasury Policy

Net debt decreased significantly during the year by £15.1 million to £46.9 million.

The movement in net debt can be summarised in the following cash flow statement:

	2000 £'000	1999 £'000
Opening net debt	(61,952)	(58,666)
Gross cash inflow	50,272	48,342
Working capital movement	8,258	(4,950)
Interest, tax, dividends	(12,373)	(11,170)
Net capital expenditure	(25,124)	(33,629)
Acquisitions and disposals	(2,537)	245
Net debt from acquisitions	—	(1,426)
Foreign exchange adjustment	3,469	(727)
Finance leases	(8,272)	—
Issue of Ordinary shares	1,391	29
Closing net debt	(46,868)	(61,952)

The Group calculates gearing based on net tangible assets including minority interest. The improvement in gearing has been diluted by the reduction in net tangible assets this year, as a result of the sale of photobooths in exchange for the acquisition of the minority interest in the Japanese subsidiary, which has increased goodwill in intangible assets. Gearing was 74.3 per cent at the year end compared to 80.3 per cent at the end of the previous year.

The Group's funding policy is to maintain a timely flow of funds to meet investment requirements. This year we have reduced overdrafts and short-term loans and have partially financed new equipment with finance leases.

The cash requirements of the Group are regularly reviewed by the Board, with guidelines and policy being set which are then monitored and managed by the finance and treasury committees.

The Group's principal financial instruments comprise bank loans, finance leases and overdrafts. The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group has various other financial instruments, such as trade debtors and trade creditors, that arise directly from its operations. The Group has taken advantage of the exemption in FRS13 not to provide numerical disclosures in respect of these.

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since May 1999.

INTEREST RATE RISK

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at both fixed and floating rates of interest. The Group keeps under constant review the possibility of switching from floating into fixed rate loans to manage its exposure to interest rate fluctuations. At the year end, 34 per cent of the Group's borrowings were at fixed rates.

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and finance leases. To preserve continuity of funding, the Group's policy is to ensure that at least 30 per cent of its borrowings should mature in more than two years. At the year end 38 per cent of the Group's total borrowings will mature in more than two years.

Short-term flexibility is achieved by overdraft facilities. At 30 April 2000 the Group had £23.8 million undrawn uncommitted facilities available.

FOREIGN CURRENCY RISK

As a result of the investments in overseas operations, the Group Balance Sheet can be significantly affected by movements in exchange rates. The Group seeks to mitigate the effect of this currency exposure through local borrowings in domestic currencies. In addition the Group has transaction currency exposures. Such exposures arise from sales or purchases by a subsidiary in currencies other than their own functional currency.

The Euro

The Group continues to prepare for economic and monetary union. The cash management systems within our coin-operated equipment are being prepared for acceptance of the Euro coinage when it is to be introduced in January 2002. The continued action and planning across all Group undertakings has ensured that the Group is on target with its Euro preparations.

Outlook and Strategy

As fully explained in our Chief Executive's Review, the Group's strategy is based around new services in the digital and communication areas. The Group intends to launch new equipment which will extend the range of services offered in our network of operating sites together with the creation of joint ventures with worldwide partners.

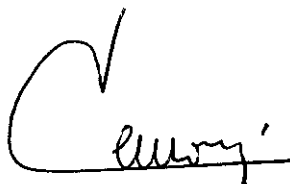
With the increasing complexity of the business and the requirements of the Board, further enhancement of our financial management and reporting systems are planned.

The implementation of the Turnbull guidance will also lead to further development of the Group's framework of internal controls.

Appointment of Joint Auditors

The Board appointed Ernst & Young as joint auditors with Menzies in March 2000 to strengthen the international capability of our auditors to service the Group.

Jean-Luc Peurois
Group Finance Director



Board of Directors

Chairman

Dan David PhD

Age 71. Joined the Group in 1961. Elected to the Board in 1968. Executive Chairman from 1992, non-executive Chairman since 1998. Chairman of the Nomination Committee.

Executive Directors

Serge Crasnianski

Chief Executive Officer

Age 58. Founded KIS in 1963. Elected to the Board of Photo-Me International plc in 1990. Chief Executive Officer since 1998. Member of the Nomination Committee.

Jean-Luc Peurois CA, MBA

Group Finance Director

Age 42. Joined KIS in 1985. Elected to the Board of Photo-Me International plc in 1994. Appointed Group Finance Director in January 2000.

Peter M Ogborne BA

Managing Director (UK Operations)

Age 53. Joined the Group in 1972. Elected to the Board in 1992. Responsible for UK operations and health, safety and environmental matters.

Riccardo Costi

Age 56. Joined the Group in 1969. Elected to the Board in 1992. President of Nippon Auto-Photo Kabushiki Kaisha.

François Giuntini LL.M, MBA

Age 54. Joined KIS in 1986. Elected to the Board of Photo-Me International plc in 1994. Group General Counsel. Secretary General of Group companies in France. Responsible for human resources.

Non-executive Directors

Daniel Amar

Age 54. Elected to the Board in October 1998. A director of an Investment Fund in France. Member of the Remuneration Committee.

Peter D Berridge

Age 69. Joined the Group in 1970. Elected to the Board in 1990. Retired from his position as Group Managing Director (Finance and Administration) in March 2000.

Sir Patrick McNair-Wilson

Age 71. Elected to the Board in 1996. Member of the Audit, Remuneration and Nomination Committees. Served as a Member of Parliament for West Lewisham 1964–1966 and New Forest 1968–1997.

Francis Wahl

Age 52. Elected to the Board in 1990. The senior independent non-executive director. Chairman of the Remuneration Committee and a member of the Audit Committee. Director of a number of European financial institutions.

Philippe Wahl

Age 65. Elected to the Board in 1969. Chairman of the Audit Committee and a member of the Remuneration Committee.

Company Secretary

Robert E Lowes BSc, FCA

Age 49. Joined the Group in 1981. Appointed Company Secretary in 1994.

Company Information and Advisers

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Kingston-upon-Thames

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Pall Mall Corporate

Banking Group

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Bank Austria Creditanstalt

International AG

125 London Wall

London EC2Y 5DD

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Mundays

Crown House

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Claygate

Esher

Surrey KT10 0LP

Group Executives

with year of commencement

United Kingdom & Ireland

L Antony	1997
P M Buendia	1985
R J Cheeseman	1982
B Crocker	1971
R Dicey	1993
P D Glanvill	1996
C Holbrook	1994
P A Hughes	1988
B A Jones	1994
T Leary	1993
G Macfarlane	1984
K R Martin	1991
T W Mines	1963
C M O'Malley	1960
D V Palmer	1993
J E Roth	1989
F E Sinclair	1993
F Thiollay	1995
G Zohrer	1992

Continental Europe

L Bernard	1979
A Besson	1983
L Blum	1976
I Borko	1970
D Borko	1990
F Bouyssou	1998
M Crasnianski	1963
A Diercks	1978
A Dikmans	1972
G Durand	1999
A Fraile	1984
W O Franz	1999
S Gibon	1996
A Gutton	1999
H D Hestermann	1971
P Lavergne	1994
P Locatelli	1983
B Masson	1998
E Mergui	1996
G Niederhoff	1999
W Point	1979
J L Sattler	1978
N Series	1995
R Sezanne	1991

Continental Europe (continued)

H Suter	1990
P Tachovsky	1994
P Thelliez	1988
P Van Gerven	1985
H Van Soolingen	1973
B Wirtz-Odenthal	1994
C Wolf	1991

Asia

H Ashizawa	1998
S Chifuri	1972
M Polanski	1982
K Tezuka	1972
A Tomlinson	1994
N Utsugi	1972

The Americas

A Caroselli	1999
G Dumont	1996
P Kadillak	1995
M Simoes	1974
D Vandervliet	1999

Report of the Directors

The directors have pleasure in submitting to the shareholders their report and audited Group accounts of Photo-Me International plc for the year ended 30 April 2000.

Principal activities

The principal activities of the Group continue to be the manufacture, sale and operation of coin-operated automatic photobooths for I.D. and fun purposes, copiers and express print services, together with the manufacture and sale of professional photographic equipment, minilabs etc. throughout the world. The Group's activities are increasingly based on digital photography and Internet applications.

The principal subsidiary and associated undertakings of the Group are shown on page 53.

Results and dividends

The results for the year are set out in the Group Profit and Loss Account on page 28.

Your directors recommend a final dividend of 1.2p per Ordinary share which, if approved at the Annual General Meeting, will be paid on 2 January 2001 to shareholders on the register at 27 October 2000. This, together with the interim dividend of 0.5p per share paid on 3 April 2000, makes a total dividend for the year of 1.7p per Ordinary share.

Review of the business and future developments

The Chairman's Statement, the Chief Executive's Review and the Financial Review, all of which form part of this Report, describe the development of the business during the financial year and the outlook for the future.

Subdivision of shares

Following the approval by shareholders at the 1999 Annual General Meeting, on 8 November 1999 the Company subdivided each existing Ordinary share of 2.5 pence each into five Ordinary shares of 0.5 pence each.

Market value of land and buildings

The directors consider that the market value of the Group's interest in land and buildings is not significantly different from its aggregate net book value of £12,929,000.

Research and development

The Group is committed to its research and development programme in order to maintain its position as a market leader. The expenditure incurred on the development of new vending equipment and automatic film processing systems is shown in Notes 3 and 9 to the accounts.

Employees

The Group's loyal and skilled workforce is essential for its future prosperity. Where appropriate, employees are provided with information on matters of interest and concern to them. The Group encourages contact and interaction between all members of staff at all levels.

The equal opportunities policy followed by the Group gives full and fair consideration to applicants for employment who are disabled, for continuing the employment of those who become disabled and for training and developing disabled employees.

Health, safety and the environment

Photo-Me International recognises its responsibilities to the environment and believes that health, safety and environmental (HSE) issues are integral and important components of best practice in business management.

The Group's commitment to HSE matters is demonstrated through the appointment of Peter Ogborne as the responsible director and through the activities of committees and advisers. This structure establishes HSE objectives, reviews significant issues, recommends policy and provides strategy and direction. National training centres have been set up to provide effective training of employees, including HSE awareness. The involvement of the whole workforce in HSE procedures is actively encouraged.

Board of directors and their interests

Details of the present directors of the Company can be found on page 14, together with a brief biography of each director. Each of them served on the Board throughout the year under review. David Miller also served as a director until his resignation on 16 August 2000.

The directors retiring by rotation at the Annual General Meeting are Dan David, Serge Crasnianski and Peter Berridge, all of whom offer themselves for re-election.

Details of the directors' contracts, emoluments and share interests are given in the Remuneration Report on pages 21 to 25.

Substantial shareholders

On 14 August 2000 the following shareholders had a notifiable interest in the Ordinary shares of the Company:

Serge Crasnianski (director)	69,143,070	19.1%
Dan David (director)	65,787,310	18.2%
Schroder Investment Management Limited	56,617,975	15.7%
Philippe Wahl (director)	29,556,885	8.2%
Francis Wahl (director)	23,782,855	6.6%

Creditor payment policy

The Company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the Company's practice is to:

- (a) agree the terms of payment at the start of business with the supplier;
- (b) ensure that those suppliers are made aware of the terms of payment;
- (c) pay in accordance with its contractual and other legal obligations.

United Kingdom subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies, by applying local best practices.

The Company's average creditor payment period at 30 April 2000 was 65 days.

Contract of significance

At an Extraordinary General Meeting held on 30 June 1999 the Company's shareholders approved the acquisition of the 49.8% minority interest in the issued share capital of its Japanese subsidiary, Nippon Auto-Photo K.K., not already owned by it. The vendor of the shares was Automax Holding B.V., a company in which Philippe Wahl, a non-executive director of Photo-Me International, had declared a 95.0% beneficial interest. The consideration for the shares was £25.2 million, which was to be satisfied by the payment of £2.2 million in cash and the balance through the transfer of older generation photobooths and equipment from Photo-Me International to Automax Holding. Automax Holding has negotiated with a number of prospective purchasers for certain of these older generation photobooths, including companies in which Dan David, the non-executive Chairman of Photo-Me International, and Philippe Wahl are interested.

Auditors

During the year the directors appointed Ernst & Young as joint auditors.

By order of the Board



Robert E Lowes
Company Secretary
Church Road, Bookham, Surrey KT23 3EU

16 August 2000

Corporate Governance

This statement describes how the Company has applied the principles and complies with the provisions of the Combined Code for Corporate Governance which have been incorporated in the Listing Rules of the Financial Services Authority.

Statement of compliance with the Code of Best Practice

The Company has complied throughout the year with the provisions of the Code of Best Practice with the exception of the following:

- a majority of non-executive directors are not independent, as defined by the Code;
- a Nomination Committee was not established until March 2000;
- some existing service contracts for directors contain notice periods of more than one year;
- two non-executive directors, who are not independent, are members of the Remuneration Committee.

Statement of application of the Principles of Good Governance

The Company has applied the Principles of Good Governance as set out in Section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the Principles have been applied are set out below, and in connection with directors' service contracts in the Remuneration Report.

The Board

The Board now comprises the non-executive Chairman, the Chief Executive Officer, four other executive directors and a further five non-executive directors.

The Company readily acknowledges that certain non-executive directors (Dan David, Peter Berridge, Sir Patrick McNair-Wilson and Philippe Wahl) are considered not to be "independent", due to their previous executive positions, their business relationships with the Group or their interest in minority shareholdings in subsidiary undertakings. However the Company does consider that Francis Wahl and Daniel Amar are independent non-executives. Despite this apparent departure from the Code of Best Practice, the Board has recognised the contribution made by each of the non-executive directors which in most instances, has been of greater benefit to the Group and to all shareholders, due to the very facts which are deemed to make a director non-independent. The senior independent non-executive director is Francis Wahl.

The Company would ordinarily appoint a new member to the Board who it believes has sufficient knowledge and experience to fulfil their duties as a director. If this were not the case, an appropriate training course would be provided. All directors have access to the advice and services of the Company Secretary. Any director, wishing to do so in furtherance of his duties, may take independent advice at the Company's expense. All directors are required to stand for re-election, normally every three years.

The Board usually meets quarterly and has a formal schedule of matters reserved to it for decision.

The Board has delegated various matters to Committees, as detailed below. These Committees of the Board also meet regularly and deal with specific aspects of the management of the Company. The Board has delegated authority to the Committees and they have defined terms of reference.

Board and Committee papers are circulated in advance of each meeting and are supplemented by reports and presentations to ensure that Board members are kept fully informed.

Board Committees

THE AUDIT COMMITTEE

The Audit Committee comprises of only non-executive directors, current membership being detailed on page 14. Meetings are normally held twice per year. The external auditors and the manager responsible for internal audit are generally invited to attend meetings. The Committee reviews the Group's accounting and financial reporting practices, the reports of the internal and external auditors and compliance with policies, procedures and applicable legislation. The minutes of the meetings are circulated to all directors.

Board Committees (continued)

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises only non-executive directors, current members being detailed on page 14. The Committee meets at least once per year and monitors each of the Group's executive directors and senior executives to ensure that they are rewarded fairly for their contribution. The Committee also makes recommendations for awards under the Senior Staff Share Option Schemes. Recommendations of the Committee are presented to the full Board. The Remuneration Report on pages 21 to 25 provides details of directors' remuneration and explains the area of non-compliance with the Code in respect of the notice periods of some service contracts.

THE NOMINATION COMMITTEE

In March 2000 the Company established a Nomination Committee consisting of Dan David, Serge Crasnianski and Sir Patrick McNair-Wilson. The Committee which meets once per year, or more often if required, keeps the balance of Board membership under review and makes recommendations to the Board on the appointment of new directors.

Relations with shareholders

The Group has regular meetings with its major institutional shareholders when the progress of the business can be discussed. Private investors are encouraged to attend the Annual General Meeting and have the opportunity to question the Board.

Going concern

Following a review of budgets and management business plans, and having taken account of the Group's bank and finance facilities, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

Internal control

The directors' responsibilities in respect of accounting records, the safeguarding of assets and the prevention and detection of fraud and other irregularities are set out in the Statement of Directors' Responsibilities on page 26. As part of the process to satisfy these obligations the Group has an established system of internal control, which the directors believe to be appropriate to the business and which is monitored by internal audit, and reviewed by the Audit Committee and by external audit as part of their annual audit.

It has to be understood that such a system can provide only reasonable and not absolute assurance against material misstatement and loss.

The Combined Code introduced a requirement that the directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

Guidance for directors, "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull guidance) was published in September 1999. However, the directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal financial controls in accordance with the ICAEW's 1994 guidance "Internal Control and Financial Reporting".

Nevertheless, the Board confirm that they will have established procedures necessary to implement the Turnbull guidance by 31 December 2000 and will therefore comply with the requirements from that date.

The key features of the system of internal financial controls are as follows:

CONTROL ENVIRONMENT

The Group's control environment is the responsibility of the Group's directors. The Group's organisational structure has clear lines of reporting and authority. Operating and financial responsibility for subsidiary undertakings is delegated to local boards, with reporting to the Group's Board being effected through the Group Board director who has specific responsibility for that subsidiary.

Corporate Governance continued

Internal control (continued)

IDENTIFICATION OF BUSINESS RISKS

All subsidiaries are required to assess key risks, and related control and monitoring procedures.

INFORMATION SYSTEMS

The Group operates a budgeting and financial reporting system. Management accounts are compiled on a monthly basis, variances are investigated and revisions to forecasts are made.

CONTROL PROCEDURES

The boards of subsidiary companies establish appropriate control procedures to address key risks. A hierarchy of authorisation limits exists and segregation of duties is implemented wherever possible.

MONITORING SYSTEM

The Board reviews and approves budgets and monitors performance against those budgets. Internal audit projects are undertaken to monitor internal control systems throughout the Group, reporting findings to the Audit Committee. The Audit Committee also reviews the findings of the Group's external auditors.

The Board has undertaken a review of the effectiveness of the Group's system of internal financial control for the period up to the date of signature of the accounts.

Remuneration Report

The Remuneration Committee

The Committee consists exclusively of non-executive directors. The members are Francis Wahl (Chairman), Daniel Amar, Sir Patrick McNair-Wilson and Philippe Wahl. The Board acknowledges that Sir Patrick McNair-Wilson and Philippe Wahl are not "independent" due to their business relationships with the Group.

In line with the requirements of the Combined Code, the Committee operates within agreed terms of reference and has responsibility for making recommendations to the Board in respect of the remuneration policy for executive directors and the Group's other senior executives. The Committee meets at least once a year in order to make its recommendations and has access to professional advice when required.

Compliance

The Board confirms that the Company has complied throughout the year with the provisions of the Combined Code relating to director's remuneration.

Remuneration of non-executive directors

The status of Dan David changed from executive to non-executive in October 1998. His remuneration has continued to be based on his existing service contracts until their expiry on 30 April 2000. Dan David continues to hold share options which were awarded to him before his change of status and has the ongoing benefit of private health insurance.

All other non-executive directors each receive fees for their services which are agreed by the Board and include fees for special projects which they may undertake on occasions. None of the non-executive directors receive any pension or other benefits nor have they held any share options apart from David Miller and Peter Berridge, whose options were granted when they were executive directors. All of David Miller's and part of Peter Berridge's options were exercised during the year.

With the exception of Dan David, none of the non-executive directors have service contracts with the Company. They are all appointed on the basis of serving periods until re-election in accordance with the Company's Articles of Association, being at the first Annual General Meeting following their appointment and normally every three years thereafter.

Remuneration policy for executive directors

The Company's remuneration policy for executive directors is to:

- (a) have regard to the directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;
- (b) link individual remuneration packages to the Group's long-term performance through the award of share options;
- (c) in the case of Peter Ogborne, provide post-retirement benefits through the Company's pension scheme;
- (d) provide employment related benefits which can include medical insurance, the provision of a company car and life assurance.

SALARIES AND BENEFITS

The Remuneration Committee reviews on an annual basis the salaries and benefits for executive directors, having regard to existing service contract terms, personal performance and independently compiled salary survey information.

INCENTIVE SCHEMES

The Group's only incentive scheme for executive directors is the grant of awards under the Senior Staff Share Option Schemes.

Remuneration Report continued

Remuneration policy for executive directors (continued)

SHARE OPTIONS

The Company introduced new performance related Approved and Unapproved Senior Staff Share Option Schemes in October 1997. The current performance criterion is that, over a three year period, the Company achieves real earnings per share growth averaging 2% a year, or more. Options which have been granted to directors and senior managers have been recommended by the Remuneration Committee as a reward for good performance and having regard to existing options which have been granted previously to those individuals. Such options have been issued with an exercise period under normal circumstances, of four years, commencing three or five years after the date of grant. All options are granted at the market price at the time of the grant.

A number of options granted under the old Approved and Unapproved Senior Staff Share Option Schemes remain capable of being exercised in the future. Such options are exercisable at any time during a three month period commencing five years after the date of grant, all options having been granted at the then current market price.

PENSIONS

Peter Ogborne is a member of the Company's defined benefit scheme. Subject to Inland Revenue limits, members are eligible for a pension of up to two-thirds of salary upon retirement at the age of 65. Pensionable service prior to 1 June 1978 qualified at one-sixtieth of final pensionable salary per completed year and service after that date qualifies at one-eightieth. "Final pensionable salary" is the average of the salary for the best three year period within the ten years prior to retirement. Basic salary and directors' fees (£2,000 per annum) are pensionable.

No other directors are members of any Group pension scheme.

CONTRACTS OF SERVICE

The Remuneration Committee has given careful consideration to the recommendations of the Combined Code in respect of directors' service contracts and has reviewed the previous policy of offering key senior directors fixed term contracts of three years duration. The revised policy adopted during the year has been to offer rolling contracts, which provide for shorter periods of notice in the event of termination of employment by the Group, as detailed below.

Serge Crasnianski and Peter Ogborne had three year contracts which expired on 30 April 2000. The contract of Serge Crasnianski is continuing on the basis of a notice period from the Company of six months. Peter Ogborne has been granted a new rolling contract which provides for twelve months notice from the Company.

Riccardo Costi entered into an eighteen month rolling contract with Nippon Auto-Photo K.K. in 1999. This contract recognises Riccardo Costi's 30 years of service with this Group company and the notice period is consistent with local practice in Japan for someone with that length of service.

François Giuntini and Jean-Luc Peurois continue with their eighteen month rolling contracts with Photo-Me France S.A. which existed at the time of the merger of that company with Photo-Me International in 1994. They have separate contracts in respect of their directorships with Photo-Me International which provide for six months notice from either party.

The directors who are to be proposed for re-election at the forthcoming Annual General Meeting are Dan David, Serge Crasnianski and Peter Berridge. Details of the service contract of Serge Crasnianski are shown above. Dan David and Peter Berridge have no service contracts with any Group company.

Directors' detailed emoluments

Details of individual directors' emoluments for the year are as follows:

		2000				1999
	Note	Salary & fees £	Benefits £	Deferred termination payments (1) £	Total £	Total £
Chairman and executive directors						
Dan David	2, 3	191,188	3,241	2,489	196,918	194,395
Serge Crasnianski	4	220,403	2,859	—	223,262	432,483
Peter D Berridge	5	88,610	8,493	—	97,103	94,770
Riccardo Costi		78,543	1,615	2,386	82,544	71,334
François Giuntini		75,487	1,065	2,257	78,809	88,389
Peter M Ogborne		96,400	7,637	—	104,037	92,547
Jean-Luc Peurois		79,853	1,065	—	80,918	79,778
Non-executive directors						
Daniel Amar	6	2,000	—	2,156	4,156	1,810
Sir Patrick McNair-Wilson		2,000	—	—	2,000	2,000
David W Miller	7	2,000	—	—	2,000	2,000
Michel Vez	8	—	—	—	—	1,545
Francis Wahl		22,000	—	2,457	24,457	14,230
Philippe Wahl		2,000	—	2,489	4,489	4,162
		860,484	25,975	14,234	900,693	1,079,443

NOTES:

- Overseas directors are entitled to termination payments which accrue on an annual basis, payment being made only when the individual directorship is ultimately terminated.
- The amounts stated above include an amount of £169,188 (1999: £167,215) paid to a third party in respect of making available the services of Dan David to the Company.
- Dan David donated the whole of his salary and fees for the year to 30 April 2000 to a registered educational charity.
- The amounts stated above include an amount of £163,606 (1999: £367,349) paid to a third party in respect of making available the services of Serge Crasnianski to the Company.
- Peter Berridge retired from his executive position on 28 March 2000, becoming a non-executive director.
- Daniel Amar was appointed a director on 27 October 1998.
- David Miller resigned as a director on 16 August 2000.
- Michel Vez retired as a director on 27 October 1998.

Directors' pension entitlements

During the accounting year there was one director accruing benefits, namely Peter Ogborne (Note 1).

Director	Increase in accrued pension during year (2) £ pa	Transfer value of increase (3) £	Accumulated total accrued pension at year end £ pa
Peter Ogborne	3,641	31,505	25,606

NOTES:

- The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.
- The increase in accrued pension during the year excludes any increase for inflation.
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11, less the director's contributions.

Members of the Scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits have been included in the figures above.

Remuneration Report continued

Directors' interests

INTERESTS IN SHARES

According to the records kept by the Company, the directors had beneficial interests in the share capital of the Company as shown below. The interests in Ordinary shares at 14 August 2000 are analysed between those registered in their own names, and those registered in other names:

	30 April 1999	30 April 2000	14 August 2000		Total
			Self	Other	
Daniel Amar	12,843,915	—	—	—	—
Peter D Berridge	211,425	171,250	151,250	20,000	171,250
Riccardo Costi	25,500	5,000	5,000	—	5,000
Serge Crasnianski	75,094,790	69,143,070	63,750	69,079,320	69,143,070
Dan David	76,115,765	65,787,310	—	65,787,310	65,787,310
François Giuntini	407,540	407,540	407,540	—	407,540
Sir Patrick McNair-Wilson	2,100	2,100	—	2,100	2,100
David W Miller	3,725	3,725	3,725	—	3,725
Peter M Ogborne	5,000	84,375	44,725	39,650	84,375
Jean-Luc Peurois	407,540	207,540	207,540	—	207,540
Francis Wahl	25,182,855	23,782,855	101,250	23,681,605	23,782,855
Philippe Wahl	36,035,935	29,556,885	391,250	29,165,635	29,556,885

Shareholdings at 30 April 1999 have been adjusted for the 5 for 1 share subdivision of November 1999.

Directors' interests in share capital of Group undertakings were:

	30 April 1999	30 April 2000	14 August 2000
Dan David			
– FOTOFIX-Schnellphotoautomaten G.m.b.H.	15.2%	15.2%	15.2%
Philippe Wahl			
– Auto Photo Systems Inc. (interest in preference shares only)	24.5%	24.5%	24.5%
– Nippon Auto-Photo K.K.	49.8%	—	—
– FOTOFIX-Schnellphotoautomaten G.m.b.H.	—	15.2%	15.2%

Philippe Wahl's interests in Nippon Auto-Photo K.K. were held through his interests in Automax Holding B.V. In June 1999, following the approval of its shareholders, Photo-Me International acquired from Automax Holding its interests in the share capital of Nippon Auto-Photo K.K.

Philippe Wahl acquired his interests in FOTOFIX-Schnellphotoautomaten G.m.b.H. in February 2000.

Directors' interests (continued)

INTERESTS IN SHARE OPTIONS

Details of directors' options over Ordinary shares are as follows:

	Number of options			Exercise price	Date from which exercisable	Expiry date	Market price on date option exercised
	As at 1 May 1999	Exercised during year	As at 30 April 2000				
Peter D Berridge	319,050	319,050	—	46.0p	31 Jan 2000	30 Apr 2000	260.5p
	270,480	—	270,480	74.2p	8 Sep 2001	7 Sep 2005	—
Riccardo Costi	325,000	—	325,000	26.0p	25 Sep 2001	24 Dec 2001	—
	175,000	—	175,000	74.2p	8 Sep 2003	7 Sep 2007	—
Serge Crasnianski	1,000,000	1,000,000	—	45.6p	6 Oct 1999	5 Jan 2000	377.5p
Dan David	671,545	671,545	—	46.0p	31 Jan 2000	30 Apr 2000	275.0p
	328,455	—	328,455	74.2p	8 Sep 2001	7 Sep 2005	—
François Giuntini	250,000	250,000	—	45.6p	6 Oct 1999	5 Jan 2000	274.0p
	250,000	—	250,000	74.2p	8 Sep 2003	7 Sep 2007	—
David W Miller	23,370	23,370	—	46.0p	31 Jan 2000	30 Apr 2000	232.5p
Peter M Ogborne	126,075	126,075	—	46.0p	31 Jan 2000	30 Apr 2000	215.0p
	130,175	—	130,175	26.0p	25 Sep 2001	24 Dec 2001	—
	243,750	—	243,750	74.2p	8 Sep 2003	7 Sep 2007	—
Jean-Luc Peurois	250,000	250,000	—	45.6p	6 Oct 1999	5 Jan 2000	274.0p
	250,000	—	250,000	74.2p	8 Sep 2003	7 Sep 2007	—

Share options at 1 May 1999 have been adjusted for the 5 for 1 share subdivision of November 1999.

No other directors have been granted options over the shares of the Company.

No director was granted share options during the year to 30 April 2000 and no options lapsed during the year.

The gains on the exercise of share options during the year to 30 April 2000, calculated on the difference between the exercise price and the closing market price on the day of exercise, totalled £6,940,000 (1999: nil).

The market price of an Ordinary share at 30 April 2000 was 147.5p (1999: 111p) and the range during the year to that date was 111.5p to 436.5p.

On behalf of the Board

Francis Wahl

Chairman of the Remuneration Committee

16 August 2000

Statement of Directors' Responsibilities

in respect of the preparation of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

to the members of Photo-Me International plc

We have audited the accounts on pages 28 to 53 which have been prepared under the historical cost convention and the accounting policies set out on pages 34 to 36.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on page 26, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Report of the Directors is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on page 18 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

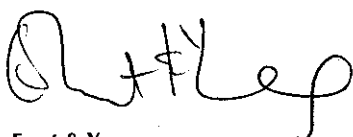
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London



Menzies
Registered Auditor
Walton-on-Thames, Surrey

16 August 2000

Group Profit and Loss Account

for the year ended 30 April 2000

	Note	2000 £'000	1999		
			Before exceptional items £'000	Exceptional items (Note 3) £'000	After exceptional items £'000
Turnover – continuing operations	2	200,074	197,506	—	197,506
Cost of sales	3	(156,799)	(149,896)	(27,147)	(177,043)
Gross profit/(loss)		43,275	47,610	(27,147)	20,463
Administration expenses	3	(21,072)	(25,361)	—	(25,361)
Other operating income		413	1,202	—	1,202
Operating profit/(loss)					
– continuing operations		22,616	23,451	(27,147)	(3,696)
Share of operating profit of associates		97	68	—	68
Total operating profit/(loss)		22,713	23,519	(27,147)	(3,628)
Restructuring costs	3	—	—	(2,278)	(2,278)
Profit/(loss) on disposal of Group undertakings	3	1,799	—	(7)	(7)
Profit/(loss) on ordinary activities before interest		24,512	23,519	(29,432)	(5,913)
Interest receivable		670	481	—	481
Interest payable	3	(3,428)	(3,951)	—	(3,951)
Profit/(loss) on ordinary activities before taxation		21,754	20,049	(29,432)	(9,383)
Tax on profit/(loss) on ordinary activities	5	(10,579)	(5,591)	10,917	5,326
Profit/(loss) on ordinary activities after taxation		11,175	14,458	(18,515)	(4,057)
Minority interests					
– equity and non-equity interests		1,120	(238)	3,546	3,308
Profit/(loss) attributable to members of the holding company	6	12,295	14,220	(14,969)	(749)
Dividends					
– equity interests	7	(6,149)	(5,380)	—	(5,380)
Retained profit/(loss) for year	20	6,146	8,840	(14,969)	(6,129)
Basic earnings per share					
– before exceptionals	8	2.92p	3.96p	—	—
– exceptional items		0.50p	—	(4.17p)	—
Basic earnings per share	8	3.42p	—	—	(0.21p)
Diluted earnings per share					
– before exceptionals	8	2.89p	3.96p	—	—
– exceptional items		0.50p	—	(4.17p)	—
Diluted earnings per share	8	3.39p	—	—	(0.21p)
Dividends per share	7	1.70p	1.50p	—	1.50p

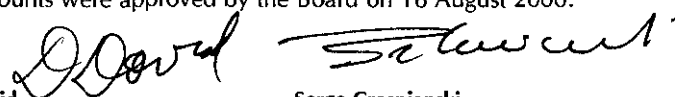
Balance Sheets

as at 30 April 2000

		Company		Group	
	Note	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Fixed assets					
Intangible assets					
– goodwill	9	—	—	9,652	377
– negative goodwill	9	—	—	(535)	(268)
– total goodwill		—	—	9,117	109
– development costs	9	—	—	6,181	5,095
Tangible assets	10	23,433	23,859	117,132	129,500
Investments	11	33,457	7,481	726	583
		56,890	31,340	133,156	135,287
Current assets					
Stocks	12	6,076	8,163	25,213	30,567
Debtors	13	29,920	40,581	29,323	31,875
Investments and short-term deposits	14	265	672	2,973	2,249
Cash at bank and in hand		383	221	8,908	6,955
		36,644	49,637	66,417	71,646
Creditors					
Amounts falling due within one year	15	48,120	29,593	69,336	74,562
Net current assets/(liabilities)		(11,476)	20,044	(2,919)	(2,916)
Total assets less current liabilities		45,414	51,384	130,237	132,371
Creditors					
Amounts falling due after more than one year	15	10,608	14,821	35,058	35,401
		34,806	36,563	95,179	96,970
Provision for liabilities and charges					
Provisions	17	—	—	3,169	2,181
Deferred taxation	18	1,553	1,245	13,612	12,416
		33,253	35,318	78,398	82,373
Minority interests					
– equity interests		—	—	1,398	8,765
– non-equity interests		—	—	824	780
		33,253	35,318	76,176	72,828
Capital and reserves					
Called-up share capital	19	2,010	1,994	2,010	1,994
Reserves:					
Share premium account	20	2,443	1,068	2,443	1,068
Capital reserves	20	—	—	6,919	10,834
Profit and loss account	20	28,800	32,256	64,804	58,932
		33,253	35,318	76,176	72,828
Shareholders' funds are attributable to:					
Equity interests		33,052	35,117	75,975	72,627
Non-equity interests		201	201	201	201
		33,253	35,318	76,176	72,828

The accounts were approved by the Board on 16 August 2000.

Dan David
Chairman



Serge Crasnianski
Chief Executive Officer

Group Cash Flow Statement

for the year ended 30 April 2000

	Note	2000 £'000	1999 £'000
Net cash inflow from operating activities	a	58,530	43,392
Dividends from associates		72	—
Returns on investments and servicing of finance	b	(2,798)	(3,497)
Taxation	b	(4,037)	(2,868)
Capital expenditure and financial investment	b	(25,124)	(33,629)
Acquisitions and disposals	b	(2,537)	245
Dividends paid – equity shareholders		(5,610)	(4,805)
Cash inflow/(outflow) before use of liquid resources and financing		18,496	(1,162)
Management of liquid resources	b	(927)	737
Financing	b	(5,047)	1,907
Increase in cash in the year		12,522	1,482
 Reconciliation of net cash flow to movement in net debt	 c		
Increase in cash for the year		12,522	1,482
Repayment of capital element of finance leases		816	13
Cash flow from decrease/(increase) in debt		5,622	(1,891)
Cash flow from liquid resources		927	(737)
Change in net debt resulting from cash flows		19,887	(1,133)
Net debt acquired with purchase of subsidiary undertakings		—	(1,426)
Finance leases		(8,272)	—
Foreign exchange translation differences		3,469	(727)
Movement in net debt in the year		15,084	(3,286)
Net debt at 1 May 1999		(61,952)	(58,666)
Net debt at 30 April 2000		(46,868)	(61,952)

Notes to the Cash Flow Statement

for the year ended 30 April 2000

(a) Reconciliation of operating profit to operating cash flow

	2000 £'000	Before exceptional items £'000	1999 Exceptional items £'000	After exceptional items £'000
Operating profit	22,616	23,451	(27,147)	(3,696)
Restructuring costs	—	—	(2,278)	(2,278)
Depreciation and amortisation charges	27,140	27,643	21,556	49,199
Non-cash charge relating to exceptional stock provisions	—	—	5,591	5,591
Loss/(profit) on sale of assets	516	(474)	—	(474)
Gross cash inflow	50,272	50,620	(2,278)	48,342
Decrease/(increase) in stocks	4,273	(2,333)	—	(2,333)
(Increase)/decrease in debtors	(797)	15,400	—	15,400
Increase/(decrease) in creditors	4,012	(18,361)	—	(18,361)
Increase in provisions	770	344	—	344
Net cash inflow from operating activities	58,530	45,670	(2,278)	43,392

(b) Analysis of cash flows for headings netted in the cash flow statement

	2000 £'000	1999 £'000
Returns on investments and servicing of finance		
Interest received	670	481
Interest paid	(3,046)	(3,949)
Interest element of finance lease rentals paid	(382)	(2)
Dividends paid to minorities	(40)	(27)
Net cash outflow from returns on investments and servicing of finance	(2,798)	(3,497)
Taxation		
UK corporation tax paid	(1,661)	(2,426)
Overseas tax paid	(2,376)	(442)
Net cash outflow for taxation	(4,037)	(2,868)
Capital expenditure and financial investment		
Purchase of intangible assets	(2,821)	(2,666)
Purchase of tangible assets	(25,596)	(37,757)
Sale of tangible assets	3,293	6,794
Net cash outflow for capital expenditure and financial investments	(25,124)	(33,629)
Acquisitions and disposals		
Purchase of shares from minority interests	(2,380)	—
Purchase of subsidiary undertakings	—	(170)
Net cash balances acquired with subsidiary undertakings	—	101
Purchase of associates	(157)	—
Sale of other investments	—	314
Net cash (outflow)/inflow for acquisitions and disposals	(2,537)	245
Management of liquid resources		
Sale of liquid resources	56	944
Purchase of liquid resources	(1,321)	—
Net movement in term deposits	338	(207)
Net cash (outflow)/inflow from management of liquid resources	(927)	737
Financing		
Issue of Ordinary shares	1,391	29
Debt due within one year – increase in short-term borrowings	3,090	6,545
– repayment of short-term borrowings	(13,585)	(26,072)
Debt due after one year – increase in long-term borrowings	7,106	22,155
– repayment of long-term loans	(2,233)	(737)
– capital element of finance lease rental payments	(816)	(13)
Net cash (outflow)/inflow from financing	(5,047)	1,907

Notes to the Cash Flow Statement continued

for the year ended 30 April 2000

(c) Analysis of net debt

	At 1 May 1999 £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movement £'000	At 30 April 2000 £'000
Cash at bank and in hand	6,955	2,002	—	(49)	8,908
Overdrafts	(15,578)	10,520	—	1,407	(3,651)
		12,522			
Debt due after one year	(35,343)	(4,873)	10,435	1,558	(28,223)
Debt due within one year	(20,211)	10,495	(10,435)	756	(19,395)
Finance leases	(24)	816	(8,272)	—	(7,480)
		6,438			
Current asset investments and short-term deposits	2,249	927	—	(203)	2,973
Total	(61,952)	19,887	(8,272)	3,469	(46,868)

(d) Major non-cash transactions

Part of the consideration for the purchase of the minority interests in Nippon Auto-Photo K.K. consisted of the transfer of older generation photobooths and equipment. Further details on the acquisition are set out in Note 23. The non-cash consideration paid and the minority interest acquired have been treated as non-cash transactions and are thus excluded from the cash flow statement.

Group Statement of Total Recognised Gains and Losses

for the year ended 30 April 2000

	2000 £'000	1999 £'000
Profit/(loss) attributable to shareholders	12,295	(749)
Exchange adjustments	(2,506)	613
Total recognised gains and losses for year	9,789	(136)

Note of Historical Cost Profits and Losses

for the year ended 30 April 2000

The Group prepares its accounts on the historical cost basis and has not revalued its properties. Consequently, no note of historical cost profits and losses is required.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 April 2000

	2000 £'000	1999 £'000
Profit/(loss) for the financial year before dividends	12,295	(749)
Dividends	(6,149)	(5,380)
Exchange adjustments	(2,506)	613
Shares issued	1,391	29
Goodwill	(1,683)	519
Net movements in shareholders' funds	3,348	(4,968)
Shareholders' funds at 1 May 1999	72,828	77,796
Shareholders' funds at 30 April 2000	76,176	72,828

Goodwill movements in the current period relate to negative goodwill reinstated on disposal of subsidiary undertakings and the termination of businesses, whilst the comparative goodwill movement relates to goodwill written back on the disposal of subsidiary undertakings.

Notes on the Accounts

for the year ended 30 April 2000

1 Accounting policies

(A) BASIS OF PREPARATION

The accounts are prepared under the historical cost convention. They are drawn up to comply with applicable UK accounting standards in force at 30 April 2000.

(B) FINANCIAL REPORTING STANDARDS (FRS) ADOPTED IN THE YEAR

FRS15 "Tangible Fixed Assets" and FRS16 "Current Taxation" were effective for accounting periods ending on or after 23 March 2000 and have thus been adopted in this year's accounts. There has been no impact on the accounts from the implementation of these standards.

(C) BASIS OF CONSOLIDATION

The Group accounts consolidate the accounts of the Company and all of its subsidiary undertakings made up to 30 April 2000, together with the appropriate share of the results of associated undertakings based on accounts to 30 April 2000. Any subsidiary and associated undertakings sold or acquired during the year are included up to, or from, the dates of change in ownership.

The Group accounts include income from current asset investments as follows; dividend income on a dividend received basis, and other investment income on an accruals basis.

Where the accounts of subsidiary and associated undertakings do not conform with the Group's accounting policies, appropriate adjustments are made on consolidation to prepare the Group accounts on a consistent basis.

The Company has not presented its own profit and loss account, as permitted by Section 230 of the Companies Act 1985.

(D) GOODWILL

Goodwill or negative goodwill, which represents the difference between the fair value of net assets acquired and the fair value of the amount paid, is capitalised in the balance sheet as an intangible asset. Goodwill is amortised on a straight line basis over the useful life of the asset with a maximum period of 20 years. Negative goodwill arising on the acquisition of companies is being written back to the profit and loss account evenly over the period in which the non-monetary assets are recovered. Goodwill relating to acquisitions prior to 1 May 1999 was charged directly to reserves and, in accordance with the transitional arrangements of FRS10, has not been restated.

If an undertaking acquired before 1 May 1999 is subsequently divested, the appropriate goodwill is dealt with through the profit and loss account in the period of the disposal as part of the calculation of gain or loss on divestment.

(E) RESEARCH AND DEVELOPMENT

Research and development expenditure is written-off in the year in which it is incurred where the commercial viability of the item being developed is uncertain. Development expenditure relating to a specific project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure which is capitalised is amortised in line with the expected future sales from the related project, with a maximum period of four years following commercial production.

(F) AMORTISATION AND DEPRECIATION

Intangible assets are amortised on a straight line basis to write-off the asset at the following rates:

Goodwill and negative goodwill	– over the estimated life of the asset with a maximum period of 20 years
Development expenditure	– 25% straight line commencing in the year following commercial production

Depreciation is charged on either a straight line basis or on a reducing balance basis to reduce the cost of tangible fixed assets to their net realisable values over their estimated useful lives at the following rates:

Freehold land	– nil
Freehold buildings	– 2% – 5% straight line
Long lease property	– 2% straight line
Short lease property	– over the lives of the leases
Photobooths, etc.	– 10% – 20% straight line
Plant, etc.	– 12.5% – 25% straight line or reducing balance

1 Accounting policies (continued)

(G) IMPAIRMENT OF FIXED ASSETS AND GOODWILL

The carrying value of fixed assets, including tangible, intangible and investments, is compared to the higher of the value in use and the net realisable value. If the carrying value exceeds the higher of the value in use and net realisable value, the asset is impaired and its value reduced by charging additional amortisation or depreciation.

(H) LEASED ASSETS

Rentals payable under operating leases are charged to the profit and loss account, as incurred, over the term of the lease. An asset acquired under a finance lease agreement is capitalised in the balance sheet and depreciated over the shorter of the lease term and its estimated useful life on a straight line basis.

(I) INVESTMENTS

Investments are stated in the balance sheet at cost less amounts written-off.

(J) STOCKS

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

- Raw materials and consumables – purchase cost on a first-in, first-out basis
- Work-in-progress and finished goods – cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

(K) CASH AND LIQUID RESOURCES

In the cash flow statement, "Cash at bank" and "Overdrafts" are balances with banks repayable on demand. "Liquid resources" include term deposit accounts and other investment instruments used by the Group to manage its overall cash position.

In the balance sheet, "Current assets – Investments and short-term deposits" include liquid resources and other investments held for resale.

(L) DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Financial instruments, mainly loans, are utilised to raise finance for the Group's trading operations. Interest on borrowings is charged to the profit and loss account as incurred. The Group uses forward exchange contracts as part of its strategy to minimise foreign exchange exposure. Usually such contracts are of a short-term nature and cover foreign currency purchases. The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities.

(M) DEFERRED TAXATION

Deferred taxation is provided, using the liability method, on timing differences to the extent they are expected to reverse, arising from taxation allowances exceeding depreciation charged in the accounts. Provision is also made for other differences in recognising revenue and expense items in other periods for taxation purposes.

Deferred taxation is not provided in respect of liabilities which might arise on the distribution of unappropriated profits of overseas subsidiary and associated undertakings, except where distributions are planned.

(N) PENSION COSTS

Some of the Company's longer serving employees belong to a pension scheme, which is closed to new entrants. The scheme is funded by both employer's and employees' contributions and is of the defined benefit type. The pension cost is assessed in accordance with the advice of an independent qualified actuary. Actuarial valuations are undertaken at least every three years. Any difference between the cost charged and amounts paid by the Company is treated as a prepayment or accrual.

Certain overseas companies are required by local legal circumstances to make provision for employment retirement. Provision for costs are based on local circumstances, length of service and salaries of employees.

Notes on the Accounts continued

for the year ended 30 April 2000

1 Accounting policies (continued)

(O) FOREIGN CURRENCIES

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

(P) OWN WORK CAPITALISED

The Group manufactures operating equipment which is used by Group operating companies. This is shown in cost of sales as own work capitalised and this figure includes direct costs associated with manufacture and applicable overheads attributable to the manufacturing facility but excludes general overheads and administration costs.

(Q) TURNOVER

Turnover comprises the net invoiced value of sales to third parties and the revenue from cash takings in operating companies, stated net of value added tax.

2 Turnover

Turnover was contributed as follows:

Area of activity	2000		1999	
	£'000	%	£'000	%
Manufacturing	34,123	17.1	39,224	19.9
Operating	165,951	82.9	158,282	80.1
Total sales to third parties	200,074	100.0	197,506	100.0

Geographical area

United Kingdom and Republic of Ireland	60,755	30.4	62,941	31.9
Overseas – Continental Europe	82,624	41.3	85,138	43.1
– The Americas	11,428	5.7	14,081	7.1
– Asia	45,267	22.6	35,346	17.9
	200,074	100.0	197,506	100.0

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation was contributed as follows:

Geographical area	2000		1999			
	£'000	%	Before exceptional items		After exceptional items	
	£'000	%	£'000	%	£'000	%
United Kingdom and Republic of Ireland	12,127	55.7	7,317	36.5	(300)	3.2
Overseas – Continental Europe	4,919	22.6	11,867	59.2	3,534	(37.7)
– The Americas	(2,885)	(13.2)	(1,980)	(9.9)	(4,429)	47.2
– Asia	7,593	34.9	2,845	14.2	(8,188)	87.3
	21,754	100.0	20,049	100.0	(9,383)	100.0

It is the opinion of the directors that disclosure of the net assets and of the profit before taxation attributable to manufacturing and operating activities, and the information required by Statement of Standard Accounting Practice 25 (Segmental Reporting), would be seriously prejudicial to the interests of the Group.

	2009	2008
	<i>£'000</i>	<i>£'000</i>
Cost of sales		
Research and Development:		
Amortisation of intangible fixed assets	1,155	6,029
Depreciation of tangible fixed assets	135	164
Current year's expenditure	710	767
Amortisation of intangible fixed assets – negative goodwill	—	(9)
Depreciation of tangible fixed assets – owned	22,914	40,096
– leased	789	82
Hire of plant and machinery	—	14
Operating lease rentals – <i>plant and machinery</i>	1,354	518
– other	5,372	3,321
Own work capitalised	(16,110)	(22,835)
Loss/(profit) on foreign exchange	696	(353)
Loss/(profit) on disposal of fixed assets	461	(489)
Other costs	139,323	149,738
	156,799	177,043

	2000	1999
	£'000	£'000
Administration expenses		
Auditors' remuneration for:		
Audit – Company £114,000 (1999: £57,000)	317	248
Other services to the Company and its UK subsidiaries	65	40
Amortisation of intangible fixed assets – negative goodwill	(113)	—
– goodwill	417	—
Depreciation of tangible fixed assets – owned	1,843	2,837
Operating lease rentals – plant and machinery	48	13
– other	39	88
Profit on foreign exchange	(274)	(129)
Loss on disposal of fixed assets	55	15
Other expenses	18,224	20,552
Distribution costs	451	1,697
	21,072	25,361

The profit on disposal of subsidiary undertakings, amounting to £1,799,000, includes the reinstatement of negative goodwill of £1,683,000 on the termination of businesses.

Interest payable	2000	1999
	£'000	£'000
Bank loans and overdrafts	2,720	3,643
Other loans	326	306
Finance leases and hire purchase agreements	382	2
	3,428	3,951

Notes on the Accounts continued

for the year ended 30 April 2000

4 Employees

The average number of employees worldwide during the year (excluding directors) was made up as follows:

	2000			1999		
	Full time	Part time	Total	Full time	Part time	Total
Office and management	397	47	444	384	55	439
Manufacturing and operating	1,239	291	1,530	1,357	519	1,876
	1,636	338	1,974	1,741	574	2,315

Staff costs during the year, for the above persons, amounted to:

	2000 £'000	1999 £'000
Wages and salaries	34,687	38,428
Social security costs	7,245	7,942
Other pension costs	73	82
	42,005	46,452

DIRECTORS' EMOLUMENTS:

Details of directors' remuneration and share options are given in the Remuneration Report on pages 21 to 25.

5 Taxation

The taxation charge which is based on profits for the year is made up as follows:

	2000 £'000	1999 £'000
UK corporation tax:		
Current year	3,469	1,481
Prior year	48	96
	3,517	1,577
Double taxation relief	(70)	(56)
	3,447	1,521
Overseas taxation:		
Current year	5,127	1,631
Prior year	273	(1)
	5,400	1,630
Share of associates' taxation	15	11
Deferred taxation:		
UK deferred tax	356	(1,431)
Overseas deferred tax – current year	108	(7,057)
– prior year	1,253	—
	1,717	(8,488)
	10,579	(5,326)

The high effective tax rate is a function of the distribution of profits and losses in overseas subsidiaries. Profits arise in countries where the tax rate is above the rate in the UK, with some unrelievable losses elsewhere. In addition, local tax liabilities have been recognised in respect of the transfer of assets used as consideration for the acquisition of the Japanese minority interest, although the profit has not been treated as realised in the Group Profit and Loss Account.

6 Profit attributable to members of the holding company

	2000 £'000	1999 £'000
Dealt with in the accounts of the holding company	2,693	1,543
Retained by subsidiary undertakings	9,603	(2,349)
Retained by associated undertakings	(1)	57
	12,295	(749)

7 Dividends

Dividends on equity – Ordinary shares:

	2000 £'000	1999 £'000
Interim dividend paid of: 0.50p per share (1999: 0.44p)	1,808	1,578
Proposed final dividend of: 1.20p per share (1999: 1.06p)	4,341	3,802
1.70p per share (1999: 1.50p)	6,149	5,380

To assist comparability, dividends per share are shown on the assumption that the 5 for 1 share subdivision, which was effected in November 1999, applied for both periods.

The Deferred shares have no dividend rights.

8 Earnings per share

Basic earnings per share is calculated as the profits available to shareholders for the year divided by the weighted average number of Ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Group has only one category of dilutive potential Ordinary shares: the share options granted to senior staff, including directors, as detailed in Note 19, where the exercise price is less than the average market price of the Company's Ordinary shares during the year.

The earnings and weighted average number of shares used in the calculation are set out in the table below:

	2000			1999		
	Earnings £'000	Number of shares	Earnings per share pence	Earnings £'000	Number of shares	Earnings per share pence
Basic EPS after exceptionals:						
Earnings available to Ordinary shareholders	12,295	359,678,812	3.42	(749)	358,555,860	(0.21)
Effect of dilutive securities:						
Options		3,317,160			—	
Diluted EPS after exceptionals	12,295	362,995,972	3.39	(749)	358,555,860	(0.21)
Supplementary earnings per share to exclude exceptional items:						
Basic EPS before exceptionals	10,496	359,678,812	2.92	14,220	358,555,860	3.96
Diluted EPS before exceptionals	10,496	362,995,972	2.89	14,220	358,555,860	3.96

Earnings per share before exceptional items are provided to facilitate evaluation of the underlying performance of the Group.

To assist comparability, earnings per share are shown on the assumption that the 5 for 1 share subdivision, which was effected in November 1999, applied for both periods. There is no dilution of the earnings per share for 1999 due to the loss for the period.

Notes on the Accounts continued

for the year ended 30 April 2000

9 Intangible fixed assets

Company

The Company has no intangible fixed assets.

Group	Goodwill £'000	Negative goodwill £'000	Development costs £'000	Total £'000
Cost:				
At 1 May 1999	377	(277)	6,851	6,951
Exchange adjustment	—	—	(779)	(779)
Additions	9,692	(380)	2,821	12,133
At 30 April 2000	10,069	(657)	8,893	18,305
Amortisation:				
At 1 May 1999	—	(9)	1,756	1,747
Exchange adjustment	—	—	(199)	(199)
Provided during year	417	(113)	1,155	1,459
At 30 April 2000	417	(122)	2,712	3,007
Net book value:				
At 30 April 2000	9,652	(535)	6,181	15,298
At 1 May 1999	377	(268)	5,095	5,204

The goodwill and negative goodwill, which arose during the year, resulted from the acquisition of minority interests in subsidiary undertakings, further details of which are shown in Note 23.

Goodwill arising on acquisitions during the year are being amortised at rates of between 5 and 20 years on a straight line basis. Negative goodwill is being amortised over a 5 year period.

The directors have decided to revise the period of amortisation for the negative goodwill arising on the acquisition of Prontophot Germany G.m.b.H. and this is now being amortised over 5 years (previously 20 years).

10 Tangible fixed assets

Company	Land and buildings £'000	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost:				
At 1 May 1999	3,021	54,922	3,678	61,621
Additions	—	8,256	698	8,954
Disposals	(148)	(9,576)	(320)	(10,044)
At 30 April 2000	2,873	53,602	4,056	60,531
Depreciation:				
At 1 May 1999	925	34,084	2,753	37,762
Provided during year	82	4,932	315	5,329
Disposals	(52)	(5,642)	(299)	(5,993)
At 30 April 2000	955	33,374	2,769	37,098
Net book value:				
At 30 April 2000	1,918	20,228	1,287	23,433
At 1 May 1999	2,096	20,838	925	23,859
Group				
Cost:				
At 1 May 1999	26,575	250,892	25,015	302,482
Exchange adjustment	(2,192)	(4,633)	(2,180)	(9,005)
Additions	325	32,592	1,313	34,230
Disposals	(4,126)	(59,038)	(1,001)	(64,165)
At 30 April 2000	20,582	219,813	23,147	263,542
Depreciation:				
At 1 May 1999	9,598	145,996	17,388	172,982
Exchange adjustment	(836)	(2,204)	(1,512)	(4,552)
Provided during year	1,082	22,077	2,522	25,681
Disposals	(2,191)	(44,205)	(1,305)	(47,701)
At 30 April 2000	7,653	121,664	17,093	146,410
Net book value:				
At 30 April 2000	12,929	98,149	6,054	117,132
At 1 May 1999	16,977	104,896	7,627	129,500

Land and buildings at net book value comprises:

	Company		Group	
	30 April 2000 £'000	1 May 1999 £'000	30 April 2000 £'000	1 May 1999 £'000
Freehold	1,914	2,082	10,692	14,716
Short leasehold	4	14	2,237	2,261
	1,918	2,096	12,929	16,977

Included within Group tangible fixed assets are assets held under finance lease agreements with a net book value of £7,561,000 (1999: £38,000). The depreciation charge on these assets was £789,000 (1999: £82,000).

Notes on the Accounts continued

for the year ended 30 April 2000

11 Fixed asset investments

Company	Group undertakings £'000	Associated undertakings £'000	Other £'000	Total £'000
Cost:				
At 1 May 1999	9,154	—	118	9,272
Additions	25,929	26	21	25,976
At 30 April 2000	35,083	26	139	35,248
Provision:				
At 1 May 1999 and 30 April 2000	1,791	—	—	1,791
Net book value:				
At 30 April 2000	33,292	26	139	33,457
At 1 May 1999	7,363	—	118	7,481

Group				
Cost:				
At 1 May 1999		217	401	618
Exchange adjustment		6	(32)	(26)
Retained reserves		(1)	—	(1)
Additions		144	22	166
At 30 April 2000		366	391	757
Provision:				
At 1 May 1999		—	35	35
Exchange adjustment		—	(4)	(4)
At 30 April 2000		—	31	31
Net book value:				
At 30 April 2000		366	360	726
At 1 May 1999		217	366	583

The details of Group undertakings are given in Note 27.

The Group's other investments include shareholdings of more than 20% of the voting rights in the following undertakings over which the Group does not exert significant influence:

	% held	Country of operation
Godrej Photo-Me Limited	50	India
KIS Dominicana S.A.	30	Dominican Republic

12 Stocks

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Raw materials and consumables	5,294	6,899	21,871	25,581
Work-in-progress	313	468	556	1,180
Finished goods	469	796	2,786	3,806
	6,076	8,163	25,213	30,567

The replacement value of stocks was not materially different from that stated above.

13 Debtors

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	3,139	2,420	18,556	17,248
Amount owed by Group undertakings	24,179	33,944	—	—
Amount owed by associated undertakings	16	63	31	63
Corporation tax recoverable	—	535	—	535
Deferred tax	—	—	90	—
Advance corporation tax recoverable	—	1,065	—	1,065
Other debtors	2,079	2,167	8,865	10,913
Prepayments and accrued income	507	387	1,781	2,051
	29,920	40,581	29,323	31,875

Included within Company debtors are amounts due after one year from Group undertakings of £70,000 (1999: £8,936,000), trade debtors of £527,000 (1999: £746,000) and associated undertakings of £4,000 (1999: £nil).

Included within Group debtors are amounts due after one year from trade debtors of £527,000 (1999: £746,000) and associated undertakings of £4,000 (1999: £nil).

14 Current asset investments and short-term deposits

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Investments	—	—	1,424	166
Bank deposits	265	672	1,549	2,083
Liquid resources	265	672	2,973	2,249

Liquid resources comprise short-term investments and bank deposit accounts where the notice period is greater than 24 hours. They are stated at cost less provisions. The realisable value of the investments is not materially different from their written down value.

Notes on the Accounts continued

for the year ended 30 April 2000

15 Creditors

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts falling due within one year:				
Current instalments due on loans	10,303	6,947	19,395	20,211
Bank overdrafts	883	3,083	3,651	15,578
Trade creditors	5,504	2,778	21,771	19,491
Amount owed to Group undertakings	23,518	9,779	—	—
Associated undertakings	27	—	27	—
Lease creditors	—	—	1,637	16
Current corporation tax	1,028	529	5,648	2,399
Other taxes and social security costs	1,781	1,621	5,871	5,303
Proposed dividend	4,341	3,802	4,341	3,802
Other creditors	364	455	3,605	4,737
Accruals and deferred income	371	599	3,390	3,025
	48,120	29,593	69,336	74,562

Amounts falling due after more than one year:

Loans	10,608	14,821	28,223	35,343
Lease creditors	—	—	5,843	8
Other creditors	—	—	992	50
	10,608	14,821	35,058	35,401

The Group has secured bank loans totalling £7,562,000 (1999: £8,894,000) on various freehold properties, trade marks and current asset investments.

OPERATING LEASES

Payments during the next year committed in respect of operating leases:

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Land and buildings				
Leases expiring:				
Within one year	173	46	254	2,236
In second to fifth years inclusive	556	379	4,433	1,315
Over five years	162	248	293	265
	891	673	4,980	3,816
Other				
Leases expiring:				
Within one year	91	151	137	176
In second to fifth years inclusive	663	1,066	1,103	1,357
Over five years	—	—	10	13
	754	1,217	1,250	1,546
Total				
Leases expiring:				
Within one year	264	197	391	2,412
In second to fifth years inclusive	1,219	1,445	5,536	2,672
Over five years	162	248	303	278
	1,645	1,890	6,230	5,362

16 Financial instruments

(A) SHORT-TERM DEBTORS AND CREDITORS

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the Group in its activities can be found on pages 12 to 13.

Short-term debtors and creditors have been excluded from all of the following disclosures, other than the currency exposures section.

(B) INTEREST RATE RISK PROFILE OF FINANCIAL LIABILITIES

The interest rate risk profile of the Group's financial liabilities at 30 April 2000 is as follows:

Currency	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000
Sterling	18,598	18,598	—	—
US Dollars	4,046	3,245	801	—
EU currencies (excluding Sterling)	33,555	17,670	14,483	1,402
Swiss Francs	86	86	—	—
Yen	4,140	—	3,231	909
Other currencies	36	36	—	—
At 30 April 2000	60,461	39,635	18,515	2,311
Sterling	20,608	20,608	—	—
US Dollars	5,227	4,503	724	—
EU currencies (excluding Sterling)	39,198	32,636	5,023	1,539
Swiss Francs	1,223	1,223	—	—
Yen	5,502	—	5,502	—
Other currencies	98	98	—	—
At 30 April 1999	71,856	59,068	11,249	1,539

All the Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as taxation balances.

Included in the above analysis for fixed rate US Dollar denominated liabilities is £720,000 (1999: £700,000) US\$ 3% preference shares in Auto Photo Systems Inc. not owned by the Group.

The Company has in issue 8,040,000 Deferred shares with a nominal value of £201,000 which are non equity interests. They have no voting and no dividend rights and can be redeemed for 1 penny in aggregate. They are not shown in the above analysis.

Liabilities on which no interest is paid include liabilities which are linked to research and development projects. If the projects are successful, the loans are repaid out of future sales income.

Currency	Fixed rate financial liabilities	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years
EU currencies (excluding Sterling)	4.9	4.6
Yen	3.4	2.5
At 30 April 2000		3.5
EU currencies (excluding Sterling)	6.1	5.7
Yen	2.9	2.5
At 30 April 1999		4.1

The above table does not include the Auto Photo Systems Inc. preference shares with a fixed interest rate coupon of 3% as there is no fixed redemption period for these shares; nor does it include the interest free loans relating to research and development projects as there is no fixed redemption period for these loans.

Floating rate financial liabilities comprise bank borrowings and overdrafts that bear interest at rates based on relevant national LIBOR, base rate or similar equivalents. Interest rates on bank borrowings are fixed in advance for periods of between one month and twelve months.

Notes on the Accounts continued

for the year ended 30 April 2000

16 Financial instruments (continued)

(C) INTEREST RATE RISK OF FINANCIAL ASSETS

Currency	2000					1999				
	Cash at bank and in hand £'000	Short-term deposits and investments £'000	Long-term debtors £'000	Other investments £'000	Total £'000	Cash at bank and in hand £'000	Short-term deposits and investments £'000	Long-term debtors £'000	Other investments £'000	Total £'000
Sterling	577	264	4	139	984	452	209	—	118	779
US Dollars	825	11	—	—	836	570	—	—	—	570
EU currencies (excluding Sterling)	2,143	2,163	—	221	4,527	2,056	1,329	—	248	3,633
Swiss Francs	326	520	—	—	846	1,531	655	—	—	2,186
Yen	4,977	15	—	—	4,992	2,242	49	—	—	2,291
Other currencies	60	—	527	—	587	104	7	746	—	857
	8,908	2,973	531	360	12,772	6,955	2,249	746	366	10,316

Short-term deposits and investments are placed with banks and earn interest based on relevant national LIBID equivalents.

(D) MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the carrying amount of the Group's financial liabilities, other than short-term creditors such as trade creditors and accruals, was as follows:

	2000				1999			
	Debt £'000	Finance leases £'000	Other financial liabilities £'000	Total £'000	Debt £'000	Finance leases £'000	Other financial liabilities £'000	Total £'000
Within one year or on demand	23,046	1,637	—	24,683	35,789	16	—	35,805
Between one and two years	9,902	1,701	83	11,686	13,201	8	—	13,209
Between two and five years	16,770	4,142	909	21,821	19,081	—	—	19,081
Over five years	1,551	—	720	2,271	3,061	—	700	3,761
	51,269	7,480	1,712	60,461	71,132	24	700	71,856

(E) BORROWING FACILITIES

The Group has undrawn uncommitted facilities available to it at 30 April 2000, of £23,800,000 (1999: £13,123,000). Having regard to the Group's cash flows, it is considered that these facilities are adequate for the Group's needs. These facilities are normally reaffirmed by banks annually although they can theoretically be withdrawn at any time. All undrawn facilities are subject to a floating rate of interest.

(F) FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a comparison by category of the carrying amounts and fair values of the Group's financial assets and liabilities:

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	(23,045)	(23,045)	(35,789)	(35,789)
Long-term borrowings	(28,223)	(28,226)	(35,343)	(35,343)
Long-term creditors	(992)	(992)	—	—
Non equity interests in minorities	(720)	(720)	(700)	(700)
Short-term deposits	2,973	2,973	2,949	2,949
Cash at bank and in hand	8,908	8,908	6,955	6,955
Other investments	360	360	366	366
Long-term debtors	531	494	746	694
Derivative financial instruments held to hedge future currency exposures:				
Forward foreign exchange contracts	—	(1,235)	—	—

For the purpose of the above table, the fair value of short-term deposits, loans and overdrafts approximates to the carrying value because of the short-term maturity of these instruments.

Market values have been used to determine the fair value of forward foreign currency contracts. The fair value of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates.

16 Financial instruments (continued)

(G) CURRENCY EXPOSURES

Overseas subsidiaries have local borrowings in their domestic currency and this mitigates the effect of currency exposures arising from the net investment in overseas operations. Exchange differences on the retranslation of overseas net assets is recognised in the statement of total recognised gains and losses.

The table below shows the extent to which the Group companies have monetary assets and liabilities in currencies other than their local currency. Exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

	Net foreign currency monetary assets (liabilities)						Total £'000
	Sterling £'000	US Dollars £'000	EU currencies (excluding Sterling) £'000	Swiss Francs £'000	Yen £'000	Other currencies £'000	
Functional currency of Group operation:							
Sterling	—	5,219	(5,461)	(680)	—	590	(332)
US Dollars	7,285	—	(625)	(804)	(15)	—	5,841
EU currencies (excluding Sterling) (10,949)		1,465	—	(1,113)	(258)	(2)	(10,857)
Swiss Francs	7,391	691	(224)	—	—	—	7,858
Yen	(384)	—	(4,760)	—	—	—	(5,144)
Other currencies	(388)	(228)	—	—	(94)	—	(710)
At 30 April 2000	2,955	7,147	(11,070)	(2,597)	(367)	588	(3,344)

Functional currency of Group operation:							
Sterling	—	2,876	1,619	(3,192)	2,144	809	4,256
US Dollars	(605)	—	(62)	(708)	—	—	(1,375)
EU currencies (excluding Sterling) (8,457)		2,414	—	(1,723)	(65)	—	(7,831)
Swiss Francs	2,344	698	384	—	—	—	3,426
Yen	(72)	—	(2,204)	(19)	—	—	(2,295)
Other currencies	(1,673)	(1,083)	(10)	—	—	—	(2,766)
At 30 April 1999	(8,463)	4,905	(273)	(5,642)	2,079	809	(6,585)

(H) HEDGES

Certain Group companies use forward exchange contracts as part of the strategy to minimise foreign exchange exposure. Generally such contracts are of a short-term nature and cover foreign currency purchases.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses and deferred gains and losses on financial instruments used for hedging are as follows:

	2000		
	Gains £'000	Losses £'000	Total £'000
Gains and losses unrecognised at 30 April 2000	—	—	—
Gains and losses deferred at 30 April 2000	14	—	14
	14	—	14

Of which:

Gains and losses expected to be recognised in the profit and loss account in 2001	—	—	—
Gains and losses included in the profit and loss account that arose in previous years	—	20	20

	1999		
	Gains £'000	Losses £'000	Total £'000
Gains and losses unrecognised at 30 April 1999	—	20	20
Gains and losses deferred at 30 April 1999	—	—	—
	—	20	20

Of which:

Gains and losses expected to be recognised in the profit and loss account in 2000	—	20	20
Gains and losses included in the profit and loss account that arose in previous years	—	—	—

(I) FINANCIAL INSTRUMENTS HELD FOR TRADING PURPOSES

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Notes on the Accounts continued

for the year ended 30 April 2000

17 Provisions for liabilities and charges

Company

The Company has no provisions for liabilities and charges.

Group	Employee related claims £'000	Employee retirement allowances £'000	Product warranties £'000	Other £'000	Total £'000
At 1 May 1999	264	1,641	180	96	2,181
Exchange adjustment	(30)	279	(20)	(11)	218
Utilised	—	(40)	(1)	(44)	(85)
Profit and loss	(19)	722	(18)	170	855
At 30 April 2000	215	2,602	141	211	3,169

PRODUCT WARRANTIES

A provision is made for claims on products sold under warranty. It is expected that most of these costs will be incurred in the next financial year.

EMPLOYEE RETIREMENT ALLOWANCES

Certain overseas companies are required by local legal circumstances to make provision for employment retirement. Provisions are based on local circumstances, length of service and salaries of employees.

The provision will reduce as the existing workforce retire but will be increased by provision for retirement benefits of continuing and new employees.

18 Deferred taxation

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Capital allowances in advance of depreciation	1,597	1,269	1,658	1,222
Differences relating to tangible fixed assets in overseas subsidiary undertakings	—	—	10,108	10,293
Other differences in recognising revenue and expense items in other periods for taxation purposes	(44)	(24)	1,756	901
	1,553	1,245	13,522	12,416

The movements on deferred taxation during the year were:

	Company		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Balance at 1 May 1999	1,245	2,626	12,416	20,913
Exchange differences	—	—	(611)	(9)
Charge for the year	308	(1,381)	1,717	(8,488)
Net balance at 30 April 2000	1,553	1,245	13,522	12,416

The net balance at 30 April 2000 comprises

Deferred tax debtors	—	—	(90)	—
Deferred tax creditors	1,553	1,245	13,612	12,416

There were no material unprovided liabilities for deferred taxation at 30 April 2000. In addition to the above provided liabilities, the Group has deferred tax assets in respect of tax losses in certain countries, which are available for carry forward against future taxable profits in those countries. These assets have not been recognised as their reversal is not certain.

19 Share capital

	2000 Number	1999 Number	2000 £'000	1999 £'000
Authorised:				
Ordinary shares of 0.5p each (1999: 2.5p each)	439,800,000	87,960,000	2,199	2,199
Deferred shares of 2.5p each	8,040,000	8,040,000	201	201
	447,840,000	96,000,000	2,400	2,400
Allotted, issued and fully paid:				
Ordinary shares of 0.5p each (1999: 2.5p each)	361,747,945	71,728,181	1,809	1,793
Deferred shares of 2.5p each	8,040,000	8,040,000	201	201
	369,787,945	79,768,181	2,010	1,994

The number and nominal value of the Company's Ordinary shares reflect the 5 for 1 share subdivision which was effected in November 1999.

The nominal value of the 3,107,040 Ordinary shares issued during the year was £15,535 (1999: £544). The consideration received for the shares issued during the year was £1,390,178.

The Deferred shares carry no dividend rights and no voting rights. The Company may at its option, at any time, redeem all of the Deferred shares, at an aggregate price not exceeding 1 penny.

In accordance with Financial Reporting Standard 4 (FRS4) "Capital Instruments", 8,040,000 Deferred shares have been classified as non-equity interests.

Share options which have been granted to senior staff, including directors, to purchase Ordinary shares of 0.5p each are as follows:

Date options granted	Number of options			As at 30 April 2000	Exercise price	Date from which exercisable
	As at 1 May 1999 (as restated)	Exercised in year	Lapsed or restricted during year			
6 Oct 1994	1,575,000	1,575,000	—	—	45.6p	6 Oct 1999
31 Jan 1995	1,465,040	1,460,040	5,000	—	46.0p	31 Jan 2000
25 Sep 1996	1,130,175	—	—	1,130,175	26.0p	25 Sep 2001
10 Feb 1998	800,000	—	—	800,000	38.2p	10 Feb 2003
8 Sep 1998	598,935	—	—	598,935	74.2p	8 Sep 2001
8 Sep 1998	1,443,750	—	—	1,443,750	74.2p	8 Sep 2003
Total	7,012,900	3,035,040	5,000	3,972,860		

Full details of directors' share options are given in the Remuneration Report on page 25.

The options outstanding at 1 May 1999 have been restated to reflect the 5 for 1 share subdivision which was effected in November 1999.

The options detailed above and dated up to 25 September 1996 can be exercised, in normal circumstances, within a period of three months from the exercise of option dates. Those issued on or after 10 February 1998 can be exercised, in normal circumstances, within a period of four years from the exercise of option date. The subscription price is based upon the average market price on the three days prior to the date of grant. Options are restricted if the grantee leaves the employment of the Group before the first exercise date.

No new options were granted during the year.

Notes on the Accounts continued

for the year ended 30 April 2000

20 Reserves

	Company £'000	Subsidiary undertakings £'000	Associated undertakings £'000	Group £'000
Share premium account				
Balance at 1 May 1999	1,068	—	—	1,068
Arising on issue of shares during year	1,375	—	—	1,375
Balance at 30 April 2000	2,443	—	—	2,443
Capital reserves				
Balance at 1 May 1999	—	10,834	—	10,834
Exchange adjustment	—	(628)	—	(628)
Transfer between reserves	—	(3,287)	—	(3,287)
Balance at 30 April 2000	—	6,919	—	6,919
Revenue reserves				
Balance at 1 May 1999	32,256	26,619	57	58,932
Exchange adjustment	—	(1,879)	1	(1,878)
Profit/(loss) for year	(3,456)	9,603	(1)	6,146
Goodwill written back on termination of businesses	—	(1,683)	—	(1,683)
Transfer between reserves	—	3,287	—	3,287
Balance at 30 April 2000	28,800	35,947	57	64,804

Net goodwill charged to reserves is £13,560,000 (1999: £11,877,000) including negative goodwill of £340,000 (1999: £2,023,000).

21 Capital commitments

The Company has outstanding orders for equipment totalling £5,384,000 (1999: £952,000) placed by its operations division on the Group's manufacturing company. The combined value of outstanding orders for photobooths placed by subsidiary undertakings on the Group's manufacturing company at 30 April 2000 was £5,630,000 (1999: £1,127,000).

22 Contingent liabilities

The Company and Group have issued guarantees as follows:

		Company		Group	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
Subsidiary undertakings	— overdrafts	3,688	1,253	—	—
	— loans	3,105	10,214	—	—
	— overseas taxation	1,377	1,469	1,377	1,469
	— rents	6,362	8,945	6,362	8,945
Others		346	99	531	324
		14,878	21,980	8,270	10,738

The Group has made adequate provision for legal disputes and the directors thus consider no contingent liability for litigation exists.

The Company has given guarantees for loans and overdrafts to subsidiary undertakings, for overseas taxation of a subsidiary undertaking and in respect of rent commitments of another subsidiary undertaking. In addition, the Company and subsidiary undertakings have given other guarantees in the normal course of business to third parties. No losses are expected from guarantees given by the Company and subsidiary undertakings.

23 Changes in composition of the Group

The more significant changes to the Group during the year have been the acquisition of part or all of the minority interests in existing subsidiary undertakings, details of which are as follows:

NIPPON AUTO-PHOTO K.K.

Following the approval of shareholders at the Extraordinary General Meeting of 30 June 1999, Photo-Me International acquired the 49.8% minority interest in the issued share capital of its Japanese subsidiary undertaking, Nippon Auto-Photo K.K., not already owned by it. The vendor of the shares was Automax Holding B.V., a company in which Philippe Wahl, a non-executive director of Photo-Me International, had a 95.0% beneficial interest. The consideration for the shares was agreed at £25.2 million which was to be satisfied by the payment of £2.2 million in cash and £23.0 million in older generation photobooths. Following the identification of the actual equipment which was to be transferred to Automax Holding, the Group's book value of this equipment, which is not materially different from its fair value, was evaluated at some £10.4 million lower at only £12,644,000. This lower figure has been accounted for as the part of the acquisition cost relating to the equipment, so reducing the actual consideration to a total of £14,844,000. In addition, expenses relating to the transaction, which have been capitalised, amount to £175,000.

The book value of the minority interest acquired, the fair value of which is not materially different, was £5,511,000, giving rise to goodwill of £9,508,000.

RIDES INTERNATIONAL LIMITED

In June 1999 Photo-Me International acquired the 33.33% minority interest in its UK subsidiary undertaking, Rides International Limited, taking its ownership to 100%.

The book value of the minority interest acquired, the fair value of which is not materially different, was £(180,000). The consideration was £2,000, giving rise to goodwill of £182,000.

FOTOMATICA DO BRASIL REPR. IND. E. COM. LTDA.

In August 1999 Photo-Me International acquired a further 36.3% interest in its Brazilian subsidiary undertaking Fotomatica do Brasil, from minority shareholders, taking its holding to 87.3%. The consideration for the acquisition was the cancellation of debts due to Photo-Me International by the minority shareholders.

In February 2000, Photo-Me International increased its interests in Fotomatica do Brasil to 95.4% by the capitalisation of debts due to it by Fotomatica do Brasil.

The book value of the minority interests acquired, the fair value of which are not materially different, were £1,571,000. The total non-cash consideration was £1,191,000, resulting in negative goodwill of £380,000.

OTHER

Other acquisitions in the period gave rise to further goodwill of £2,000.

24 Pensions

The Company makes contributions to a funded defined benefit scheme for some long-serving employees. This pension scheme is closed to new entrants. The defined benefits are based upon an employee's years of service and final pensionable salary.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The most recent valuation was carried out as at 1 June 1997. The principal assumptions which have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries, rents and dividends. It was assumed that investment returns would be 8.5% per annum, that salary increases would average 6.5% per annum and that rents and dividends would grow at 3.75% per annum.

The net pension charge for the period, including directors, was £78,000 (1999: £89,000). This included £15,000 (1999: £4,000) in respect of the amortisation of experience surpluses that are being recognised over twelve years, the average remaining service lives of employees.

The most recent valuation showed that the market value of the assets of the scheme was £3,958,000, the actuarial value of which represented 110% of the actuarial value of benefits accrued to members, based on projected final pensionable salaries.

The next actuarial valuation of the UK Company Scheme is due at 1 June 2000.

Notes on the Accounts continued

for the year ended 30 April 2000

25 Directors' interests

The 49.8% minority interest in Nippon Auto-Photo K.K., as fully disclosed in Note 23 (Changes in composition of the Group), was acquired from Automax Holding B.V., a company in which Philippe Wahl, a director of Photo-Me International, had declared a 95% beneficial interest. The acquisition was approved at an Extraordinary General Meeting of the Company on 30 June 1999.

There were no other contracts subsisting during the financial year in which a director of the Company was materially interested and which were significant in relation to the Company's business. Those related party transactions detailed in Note 26 below are considered to be non-material to the Company.

26 Related parties

The Group's related parties (as defined by Financial Reporting Standard 8), the nature of the relationship and the extent of the transactions with them are summarised below.

All transactions with related parties were conducted at arms length in the ordinary course of business.

DIRECTORS

As mentioned in Note 25 (Directors' interests) above, Philippe Wahl has an interest in Automax Holding B.V. which owned shares in Nippon Auto-Photo K.K. until 30 June 1999. Automax Holding also owns preference shares in Auto Photo Systems Inc., as noted in the Directors' interests on page 24.

Dan David and Philippe Wahl have declared interests in FOTOFIX-Schnellphotoautomaten G.m.b.H., as noted in the Directors' interests on page 24.

Dan David and Philippe Wahl have declared an interest in Finser Financial and Management Services B.V. ("Finser"). This is a holding company, subsidiaries of which trade with the Group. The value of transactions between the Group and subsidiaries of Finser during the year ended 30 April 2000 were: Sales £1,587,000 (1999: £2,346,000); Purchases £822,000 (1999: £2,355,000); Debtors at 30 April 2000 £682,000 (1999: £1,152,000) and Creditors at 30 April 2000 £189,000 (1999: £435,000).

Philippe Wahl is a director of Ingelsa Limited, a company which manages investment funds in which the Group had an investment at a total cost of £788,000. The investment which was valued at the beginning of the 1998/99 financial year at £935,000 was sold during that year for £913,000.

Sir Patrick McNair-Wilson has an interest in a public relations and public affairs consultancy partnership which provides services to the Group, including the management of the 'VALIDATE UK' proof of age card scheme. The value of such services during the year ended 30 April 2000 was £89,000 (1999: £62,000). At 30 April 2000 the outstanding amount payable to the partnership was £4,000 (1999: £3,000).

David Miller has an interest in International Data Limited which provides services to the Group. The total value of such services in the year to 30 April 2000 was £5,000 (1999: £14,000). The Group sub-lets premises to International Data Limited; rents and associated costs charged in the year to 30 April 2000 were £55,000 (1999: £66,000). The outstanding balance receivable from International Data Limited at 30 April 2000 was £144,000. As International Data Limited had an administrative receiver appointed in May 2000, full provision for the debt has been made in the Company's accounts. The debt due from International Data Limited at 30 April 1999 was £107,000.

ASSOCIATED UNDERTAKINGS

Transactions by the Group with the associated undertakings during the year to 30 April 2000 were: Sales £89,000 (1999: £177,000); Purchases £nil (1999: £6,000); Debtors at 30 April 2000 £31,000 (1999: £63,000) and Creditors at 30 April 2000 of £27,000 (1999: £nil).

27 Group undertakings

The list below represents the principal subsidiary and associated undertakings of the Group at 30 April 2000, with details of the country of incorporation and principal country of operation. Details of issued share capital are included for associated undertakings. Details of other subsidiary undertakings not listed here will be annexed to the Company's next Annual Return.

The Company's interest in the Group undertakings is the same as the Group's interest, with the exception of investments marked (*) where the shares are held by another Group undertaking. All holdings shown relate to Ordinary shares. In addition, the Company holds 76% of the preference shares issued by Auto Photo Systems Inc.

The principal activities of the Group undertakings are the manufacture, sale and operation of coin-operated automatic photobooths, copiers and express print services, together with the manufacture and sale of professional photographic equipment.

	Principal activity	Group's interest	Country
Animate Fotofixe Lda.	Operating	100%	Portugal
Auto Photo Systems Inc.	Investment	100%	USA
Compagnie Belge des Automatiques S.A.	Operating	100%	Belgium
Fotomatica do Brasil Repr. Ind. E. Com. Ltda.	Operating	95%	Brazil
FOTOFIX-Schnellphotoautomaten G.m.b.H.	Operating	70%	Germany
Fototronic Ausweissysteme G.m.b.H.	Operating	*70%	Germany
Fullwise International Limited (Issued shares: 1,000,000 ordinary shares of H.K.\$1)	Operating	33%	Hong Kong
Investim S.A.R.L.	Property	100%	France
KIS S.A.	Manufacturing	*100%	France
Max Sight Limited (Issued shares: 4,000,000 ordinary shares of H.K.\$1)	Operating	*33%	Hong Kong
Morenar S.A.	Investment	100%	Switzerland
Nippon Auto-Photo Kabushiki Kaisha	Operating	100%	Japan
Orbitrade Anstalt	Services	100%	Liechtenstein
Photec Kabushiki Kaisha	Sales	*100%	Japan
Photomaton S.A.	Operating	*100%	France
Photo-Me Limited	Sales	100%	United Kingdom
Photo-Me CR s.p.o.l. s.r.o.	Operating	*76%	Czech Republic
Photo-Me Hungary K.f.t.	Operating	*48%	Hungary
Photomatico (Singapore) Pte. Limited	Operating	100%	Singapore
Photo-Me Hubei Company Limited	Operating	65%	China
Photo-Me Ireland Limited	Operating	90%	Ireland
Photo-Me Northern Ireland Limited	Operating	90%	Northern Ireland
Photo-Me USA L.L.C. (formerly Image Dynamics L.L.C.)	Operating	*69%	USA
PMI Photomagic Limited	Operating	100%	United Kingdom
Photo-Me France S.A.	Investment	100%	France
Portrex S.A.	Operating	*100%	France
Printer Color S.R.L.	Sales	100%	Italy
Prontophot Austria G.m.b.H.	Operating	95%	Austria
Prontophot Belgium N.V.	Operating	100%	Belgium
Prontophot Holding S.A.	Investment	100%	Switzerland
Prontophot Holland B.V.	Operating	100%	Holland
Prontophot (Schweiz) A.G.	Operating	100%	Switzerland
Prontophot UK Limited	Operating	100%	United Kingdom
Rides International Limited	Operating	100%	United Kingdom
SCI du Lotissement d'Echirolles	Property	*61%	France
SCI Immobiliere du 21	Property	*100%	France
The Kix Company plc	Operating	100%	United Kingdom

Five Year Summary

for the years ending 30 April

Profit and loss account

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
Turnover					
Operating	165,951	158,282	121,870	123,864	139,813
Manufacturing	34,123	39,224	46,868	35,307	43,327
Total turnover	200,074	197,506	168,738	159,171	183,140
Operating profit before exceptional items	22,713	23,519	17,178	12,411	14,814
Exceptional items	1,799	(29,432)	—	—	(942)
Net interest	(2,758)	(3,470)	(1,990)	(2,069)	(2,597)
Profit/(loss) before taxation	21,754	(9,383)	15,188	10,342	11,275
Taxation	(10,579)	5,326	(5,629)	(3,508)	(4,057)
Profit/(loss) after taxation	11,175	(4,057)	9,559	6,834	7,218
Minority interests	1,120	3,308	(109)	(837)	(1,139)
Profit/(loss) attributable to shareholders	12,295	(749)	9,450	5,997	6,079
Dividends	(6,149)	(5,380)	(4,661)	(3,585)	(3,584)
Retained profit/(loss) for year	6,146	(6,129)	4,789	2,412	2,495

Balance sheet

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
Intangible assets	15,298	5,204	8,432	8,197	7,893
Tangible assets	117,132	129,500	137,566	111,935	120,797
Other fixed assets	726	583	657	568	448
Net current assets/(liabilities)	(2,919)	(2,916)	(6,927)	8,521	12,187
Creditors: Amount falling due after one year	(35,058)	(35,401)	(27,985)	(20,283)	(31,198)
Provisions for liabilities and charges	(16,781)	(14,597)	(21,803)	(18,173)	(16,407)
Minority interests	(2,222)	(9,545)	(12,144)	(10,620)	(10,886)
Net assets	76,176	72,828	77,796	80,145	82,834

Share capital	2,010	1,994	1,994	1,993	1,993
Reserves	74,166	70,834	75,802	78,152	80,841
Shareholders' funds	76,176	72,828	77,796	80,145	82,834

Key statistics

	2000 pence	1999 pence	1998 pence	1997 pence	1996 pence
Basic earnings per share (before exceptional items)	2.92p	3.97p	2.64p	1.67p	1.70p
Diluted earnings per share (before exceptional items)	2.89p	3.94p	2.64p	1.67p	1.70p
Dividends per share	1.70p	1.50p	1.30p	1.00p	1.00p
Dividend cover	2.00	(0.14)	2.03	1.67	1.70
Share price – highest	436.5p	113.0p	53.8p	33.4p	48.6p
Share price – lowest	111.5p	53.8p	21.7p	21.8p	24.8p
Share price – year end	147.5p	111.0p	53.8p	24.5p	31.4p

These figures have been extracted from the accounts for the relevant year and have not been adjusted for changes in accounting policies as a results of adoption of new accounting standards.

The figures for earnings per share, dividends per share and share prices have been adjusted to reflect the 5 for 1 share subdivision in November 1999.

Shareholder Information

Analysis of registered shareholdings (at 14 August 2000)

	Number of holdings	Number of Ordinary shares	% of issued Ordinary share capital
Category:			
Individuals	2,792	12,055,129	3.3
Nominees	855	226,916,343	62.7
Other corporate bodies	76	122,776,473	34.0
	3,723	361,747,945	100.0
Size of holding:			
1 – 1,000	2,113	1,078,058	0.3
1,001 – 10,000	1,162	3,468,597	1.0
10,001 – 100,000	287	10,100,415	2.8
100,001 – 500,000	111	25,340,746	7.0
500,001 – 1,000,000	17	12,459,989	3.4
1,000,001 and above	33	309,300,140	85.5
	3,723	361,747,945	100.0

Capital gains tax

For shareholders wishing to calculate United Kingdom capital gains tax, the example below shows the effect on 100 shares at 31 March 1982 after all subsequent capitalisations and subdivisions:

31.03.1982	100	Ordinary shares of 50p each (at market value of £4.45p per 50p share)
09.12.1983 (1 for 5 Cap.)	20	Ordinary shares of 50p each
	120	
12.12.1985 (1 for 6 Cap.)	20	Ordinary shares of 50p each
	140	
12.12.1985 (subdivision)	140	(50p to 25p)
	280	Ordinary shares of 25p each
18.12.1987 (subdivision)	1,120	(25p to 5p)
	1,400	Ordinary shares of 5p each
13.12.1989 (subdivision)	1,400	(5p to 2.5p)
	2,800	Ordinary shares of 2.5p each
08.11.1999 (subdivision)	11,200	(2.5p to 0.5p)
	14,000	Ordinary shares of 0.5p each

FTSE actaries industry classification

The Photo-Me International plc share price is now quoted in the "Media & Photography" sector.

Share price information

Daily information on the Photo-Me International plc share price is available on the Financial Times City Line Service (Tel: 0906 843 3656. Calls cost 60p per minute at all times).

Financial calendar

Annual General Meeting	20 October 2000
Half year results (to 31 October 2000)	Announcement in January 2001
Full year results (to 30 April 2001)	Announcement in July 2001

Dividends:

Final (to 30 April 2001)	Payment on 2 January 2001
Interim (to 31 October 2001)	Payment in April 2001
Final (to 30 April 2001)	Payment in January 2002

Transfer office and registration services

Lloyds Bank TSB Registrars act on behalf of the Company and all shareholder enquiries, notification of changes of address, dividend mandates, etc. should be referred to them at:

The Causeway
Worthing
West Sussex BN99 6DA
Tel: 01903 502541
Fax: 01903 854031

The Register of Directors' interests is maintained at the Registered Office at Bookham.

Copies of the Report and Accounts can be requested from:

Photo-Me International plc
Church Road
Bookham
Surrey KT23 3EU
Tel: 01372 453399
Fax: 01372 459064



Companies House

— for the record —

NOTICE OF REJECTION OF ACCOUNTS

Photo-me International Plc
Church Road
Bookham
Surrey
KT23 3EU

Crown Way Cardiff CF14 3UZ
Telephone 029 2038 0601
Fax 029 2038 0900
DX 33050
www.companieshouse.gov.uk

Date 27.10.00

ACCOUNTS RESUBMITTED
FOLLOWING YOUR REJECTION

Your reference:

Please quote our reference: **Reject Accounts/ 735438**

To avoid a late filing penalty, **acceptable** accounts must be (or should have been) received at Companies House by 30.11.00.

The enclosed accounts cannot be accepted for filing. We have ticked the reason(s) why below. **Please read carefully the guidance given.**

COMPANY NAME/NUMBER

- 1 ☐ The correct company number has not been given or it does not correspond with the company name shown on our records. We have shown in red what we believe to be the correct company number. You may need to check your *Certificate of Incorporation* to confirm the correct number.

ACCOUNTING REFERENCE DATE

- 2 ☐ The balance sheet is not made up to the correct accounting reference date or the date is missing. According to our records the date is or was _____. It is only possible to change the date on our records to the one you require if you complete and return, together with the accounts, the attached form 225 by _____. This date may have already passed, if so the accounts will need to be prepared from _____ to _____.
- 3 ☐ A first set of accounts must commence on the date of incorporation regardless of when the company started to trade. The company's date of incorporation was _____.
- 4 ☐ The accounts cover a period of over 18 months.

PLEASE CHECK THE BACK PAGE OF THE NOTICE.

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Companies House

— for the record —

DOCUMENT QUALITY

- 5 ☒ The accounts are not in a format that would allow the Registrar to capture an acceptable electronic image. Please see enclosed notes on the Registrar's requirements.

SIGNATURES

- 6 ☐ The director's report must be signed by a director or company secretary.
- 7 ☐ The accountant's report must show the name of, and be signed by, the reporting accountant.
- 8 ☐ The audit report must be signed by a registered auditor.
- 9 ☐ The balance sheet must be signed by a director of the company where indicated.

OTHER GUIDANCE

- 10 ☐ A dormant balance sheet must include details of the company's share capital.
- 11 ☐ The dormant balance sheet shows movement in the figures from the previous year to the current year. *[A company cannot claim to be dormant if it has any significant accounting transaction required to be entered into its accounting records under section 221 of the Companies Act].*
- 12 ☐ The group accounts have not included an individual profit and loss account; this is only permissible when the company has claimed exemption under section 230. This exemption must be noted within the accounts.
- 13 ☐ Faxes cannot be accepted for filing. We can only accept documents that are physically delivered to Companies House by mail or hand.

- 14 ☐
-
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DOCUMENT EXAMINATION BRANCH





Companies House

— for the record —

NOTICE OF REJECTION ON DOCUMENT QUALITY

Crown Way Cardiff CF14 3UZ
Telephone 029 2038 0601
Fax 029 2038 0900
DX 33050
www.companieshouse.gov.uk

Date

Your reference:

Please quote our reference: Reject Image/

All documents and forms delivered to Companies House are scanned to produce an electronic image which can be viewed by our customers either online or on microfiche. Some documents, particularly accounts, sometimes include shading, other formatting or graphics which, when scanned, create an unacceptably large file. This means in turn that it can take a great deal of time for customers who wish to inspect the accounts to download the image on their online systems.

The attached document, which you have submitted cannot be accepted for filing, as it does not meet the criteria required to enable the Registrar to capture an electronic image of acceptable quality. The Registrar has the power under section 706 of the Companies Act 1983 to reject a document which does not conform to such requirements as he may specify for the purpose of enabling him to copy the document.

An acceptable copy, which meets the following criteria, and specifically the item(s) that have been ticked, must be returned within 14 days of this notice otherwise the original document is deemed not to have been delivered.

DOCUMENTS SHOULD:

- ☐ Be on A4 good quality plain white paper
- ☐ Have a matt finish - i.e. not glossy
- ☐ Be printed in black type of a uniform density
- ☐ Be an original copy
- ☒ Not be shaded, or have shaded areas and must not include photographs.

For accounts, prospectuses and other similar documents, a typed unbound version or printer's proof, without covers, would be ideal, provided they contain the necessary signatures.

If you have any difficulty meeting this requirement please call for advice, or visit the Companies House web site at www.companieshouse.gov.uk.

DOCUMENT EXAMINATION BRANCH

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FORMS

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