

Photo-Me International plc

735438

Annual Report 2013

SATURDAY



A2FFLCYG

A31 24/08/2013 #52
COMPANIES HOUSE

A2DXPW60

A35 02/08/2013 #95
COMPANIES HOUSE

Photo-Me has two main activities: Operations and Sales & Servicing.

Operations comprises the operation of unattended vending equipment, in particular photobooths, digital printing kiosks, amusement machines and business service equipment

Sales & Servicing comprises the development, manufacture, sale and after sale servicing of this Operations equipment and a range of photo-processing equipment, including photobook makers, kiosks and minilabs, together with the servicing of other third party equipment.

Business Profile

- 01 2013 Highlights
- 02 Photo-Me at a Glance

The Year in Review

- 04 Chairman's Statement
- 06 Business and Financial Review

Governance

- 14 Board of Directors and Secretary
- 16 Report of the Directors
- 19 Corporate Governance Statement
- 23 Corporate Responsibility
- 26 Remuneration Report
- 33 Statement of Directors' Responsibilities
- 34 Independent Auditor's Report

Financial Statements

- 36 Group Statement of Comprehensive Income
- 37 Statements of Financial Position
- 38 Group Statement of Cash Flows
- 39 Company Statement of Cash Flows
- 40 Group Statement of Changes in Equity
- 41 Company Statement of Changes in Equity
- 42 Notes to the Financial Statements
- 92 Five Year Summary

Company Information

- 94 Company Information and Advisors
- 95 Shareholder Information

Highlights

Revenue

£195.6m -5.9%

EBITDA

£44.9m +2.0%

Pre-tax Profit

£24.3m +20.7%

Dividends Per Share

3.0p* +20.0%

Net Cash

£61.4m +18.5%

Share Price at 30 April

77.75p +71.8%

Photo-Me at a Glance

Our Products

Photobooths

For over 50 years, Photo-Me has been the world's largest operator of photobooths, with market-leading photographic quality and innovative technology

Digital Printing Kiosks

Benefiting from the photographic expertise and excellence in self-service systems, Photo-Me's digital printing kiosks offer a wide range of print formats with a user-friendly interface.

Amusement

Photo-Me offers the latest in Interactive character rides, exciting new simulator rides and a selection of other coin-operated amusement machines

State-of-the-art cameras, tactile control screens and continually developing designs have helped to cement Photo-Me's position at the head of the field

Photobooks, standard prints and posters are among the many products available, which can be obtained by using most forms of digital media

Our distinctive range provides our customers with a fun and enjoyable experience

Our Presence

UK & Ireland

United Kingdom, Ireland

13,450 sites

Continental Europe

Austria, Belgium,
France, Germany,
Hungary, Luxembourg,
Netherlands, Poland,
Portugal, Switzerland

20,500 sites

Asia

China, Japan,
Singapore, South Korea

9,200 sites

Diversification

Revolution®

Equipped with high capacity washing machines (8 and 18kg) the Revolution® launderette is ideal for washing large or heavy loads such as duvets, blankets and pillows, in just a 30 minute washing cycle

Combined with an energy saving tumble dryer, Revolution® provides a fast and convenient laundry service

Photolight

An eco-friendly lighting solution. Innovative solar street lights with monocrystalline photovoltaic cells which charge the high capacity lithium batteries, requiring no connection to the grid

Chairman's Statement

The Board is optimistic that going forward... the progressive roll-out of our laundry product-branded Revolution®... combined with increased penetration and maturity of our Starck photobooths, lower manufacturing costs and expansion into other territories means the Group has strong prospects.

Results

At constant currency, Group Revenue was 2.0% lower over the year, which was principally due to a further expected decline in revenue from our Sales & Servicing division. Despite lower sales, Group EBITDA increased during the period, with EBITDA margins improving to 23.0% from 21.2% in 2012. Our Operations division grew revenues by 1.2%, aided by a 6% increase in photobooth units and there were strong performances in a number of our markets. Profitability in our Operations division also continued to improve – aided by lower costs – with operating profit rising by 14.3%.

Strategy

Our strategy is to use the significant cash flow generated from our long established photobooth business to develop new and complementary products which will drive our future growth. Alongside this, we are keen to penetrate new geographic markets, which offer the potential of long-term growth.

We have made good progress over the last two years implementing this strategy, with the introduction of the new designer photobooth by Starck, entries into China, Poland and Malaysia and Korea and the development of our new laundry product. It has been the case however, that other product sales have remained at low levels due to continued reluctance by individual businesses and larger corporations to invest capital.

Costs

We have made a number of changes to the cost base in the recent past. We have restructured the French Sales & Servicing subsidiary and transferred management control to the CEO of the European activities. This has resulted in a centralised logistics

platform for the Group and has led to savings from reducing both the level of stocks and staff numbers. We have also introduced new software relating to both the analysis of machine takings – which will allow better ongoing management – and accounting, with a reduction in associated licence costs.

Our focus going forward is to try and drive down material costs even further by the use of smarter technology and design and by using low cost manufacturing bases. This will be especially important in our photobooth and laundry businesses.

Dividends

We have rapidly grown dividends since reintroducing them in 2010. This year, we are pleased to be recommending a final dividend of 1.5 pence to give a total dividend for the year of 3.0 pence, representing a further increase of 20% over the year.

In light of the strength of the balance sheet and mindful of shareholder returns, we also decided to return £10.9m by way of a special dividend of 3.0 pence per share in February 2013.

The Group's net cash position remains extremely healthy and we are anticipating success with our new laundry product, the rollout of which can be comfortably financed from internal resources. It is our stated intention to maintain a progressive dividend policy but the Board has now decided to provide greater clarity for shareholders. Therefore, with the strong provisos that the business moves forward as we expect, that our laundry product achieves its targets and we do not make a material acquisition, we intend to increase the annual dividend by 20% next year. In addition, the Board will consider the scope for a further special dividend.

Photobooth by Starck

- 1,200 Starck booths worldwide
- Touch screen display
- High resolution 32" external LCD screen
- Height adjusting camera
- Design by Philippe Starck

This dividend policy is intended to demonstrate a strong commitment to improving shareholder returns by more aggressively utilising the strong cash flows of the business combined with the Group's existing cash position

If approved at the Annual General Meeting on 12 September 2013, the final dividend will be paid on 7 November 2013 to shareholders on the register at the close of business on 27 September 2013. The ex-dividend date is 25 September 2013.

Employees

On behalf of the Board, I would once again like to thank our management and employees for all their individual hard work, dedication and loyalty throughout the year

The Board would like to express its thanks to Robert Lowes who retired in April 2013 after 32 years with the Group, having joined in 1981. Robert served as Company Secretary from 1994 to April 2008 when he was appointed as an interim Director, resigning as a Director in July 2008, and returning to the position of Company Secretary. The Board wishes Robert well in his retirement.

Current trading and Outlook

In the first seven weeks of the new financial period, the Group's core Operations division is performing in line with our expectations and we firmly believe the issues in the Sales & Servicing division, which is now a small part of the Group, are behind us. We are progressively modernising the photobooth estate and we are rolling out our laundry product which we believe will share a similar footprint in its target markets and the same cash flow characteristics as the photoboos

Subject to the risks and uncertainties detailed in the business and financial review, the Board once again anticipates that the Group will make further good progress over the coming year

John Lewis

Non-executive Chairman

Business and Financial Review

Business Review

Photo-Me has two principal activities, which the Board monitors in assessing the Group's performance

Operations – which comprises the operation of unattended vending equipment, primarily photobooths, digital printing kiosks, laundry machines, photobook makers, amusement machines and business service equipment

Sales & Servicing – which comprises the development, manufacture, sale and after sale servicing of the above-mentioned Operations equipment and a range of photo-processing equipment and photo album maker solutions.

Combined

The business is international in its reach and focused on three main geographic areas at present Continental Europe, UK & Republic of Ireland and Asia.

The following geographical analysis is provided in order to give additional information, it is not a segmental analysis used in managing the business

Geographical analysis of revenue and profit (by origin)

Year to 30 April	Revenue				Operating profit			
	2013 £m	2013† £m	2012 £m	Change† %	2013 £m	2013† £m	2012 £m	Change† %
Continental Europe	104.9	110.7	114.0	-3.0	15.2	16.1	13.6	+18.5
UK & Republic of Ireland	44.9	45.1	47.6	-5.4	3.3	3.4	2.5	+32.1
Asia	45.8	48.0	46.2	+4.0	5.7	5.9	3.9	+51.8
	195.6	203.8	207.8	-2.0	24.2	25.4	20.0	+26.8

† 2013 trading results of overseas subsidiaries converted at 2012 exchange rates

The Group strongly improved its overall profitability as losses from Sales & Servicing were eliminated and as costs – principally commissions to site-owners, labour and depreciation – were again reduced

Operations

Year to 30 April	Revenue				Operating profit			
	2013 £m	2013† £m	2012 £m	Change† %	2013 £m	2013† £m	2012 £m	Change† %
Year to 30 April	173.2	180.3	178.0	+1.2	28.1	28.8	25.1	+14.3

† 2013 trading results of overseas subsidiaries converted at 2012 exchange rates

Revolution®

- 100% self-service
- Professional washing machines
- High spin speed
- Energy saving tumble dryer
- Washing liquid provided
- Disabled access

	Vending units		
	2013	2012	Change
Continental Europe	20,500	19,400	+5.7%
UK & Republic of Ireland	13,450	14,950	-10.0%
Asia	9,200	8,950	+2.8%
	43,150	43,300	-0.5%

This division contributed 89% (2012: 86%) of the reported revenue. Revenue increased by 1.2% at constant rate, but operating profit rose by 14.3%, with the company continuing to reduce costs, particularly those associated with manufacturing as well as commissions payable to site-owners. The overall decrease in the number of vending units was largely due to the removal of low value amusement machines in the UK. The European business saw a very strong performance in Germany where changes in the retail market are allowing the business to expand its photobooth estate, while the Belgian business also made good progress. Although revenue was fairly flat, the UK, Swiss and Japanese businesses were able to post good increases in operating profit with lower costs – including depreciation – feeding through.

The biggest contributor to the division's turnover and profits is the photobooth estate. This extensive network of sites, with long-standing site-owner contracts and relationships, supplemented by an established field service and cash collection infrastructure, represents one of Photo-Me's greatest strengths. They are very cash generative and provide much of the finance for corporate developments, including investment in R&D to produce the next generation of products.

Increasing the number of photobooth sites remains a priority for the Group and the increase of 6% to 24,900 was driven by increased penetration in Germany and the roll-out of the Starck booth. The photobooth estate is also changing in two ways. Firstly, they are becoming cheaper to produce by re-siting manufacturing and by using smarter technology inside. Secondly, the estate is being progressively modernised following the introduction of the designer Photobooth by Starck. These units numbered 1,200 at year end, an increase of 825 over the year. The performance of these units as they mature is encouraging as they provide a higher degree of profitability than comparable "older" units. From September 2013, all units sited, either new or by way of replacement, will be Starck booths.

These trends, combined with the opportunity to expand into newer territories like Thailand, Ukraine, Malaysia and Poland, give the Group confidence that the photobooth estate can be returned to a growth footing going forward.

Business and Financial Review continued

Laundry units

As the Group announced at the Interim results in December 2012, over the last three years and following a period of R&D and product development in Grenoble, Photo-Me has been trialling stand-alone heavy-duty laundry units in France and Belgium, sited predominantly at major supermarkets, standing outside the main buildings. The trials were focused on both the uptake of the product as well as the durability and reliability of the machines, which are designed essentially for the washing and drying of large laundry items such as duvets or bedding, accommodating large loads of up to 18kg. The price of an 18kg wash is normally €8, an 8kg wash is €4 and there is a further charge of €1 for drying, a price level which is usually cheaper than local alternatives.

The results from the trials, both from a durability and takings standpoint, were sufficiently good that Photo-Me believes a significant opportunity exists to roll-out this product aggressively in France and Belgium initially, followed by other European countries in due course, utilising the same sites as the photobooth estate. The machines are currently assembled in France, but Photo-Me believes it will be able to reduce costs in the medium-term by increased sourcing from the Far East.

The roll-out of the units will be self-financed by Photo-Me and they will be operated and maintained by Photo-Me's extensive network of service engineers, using the same information systems as the photobooth estate. Photo-Me believes that this network, combined with its excellent long-standing relationships with site-owners – as well as price – will provide effective competitive barriers. As with photobooths, a commission is paid to the site-owner.

Since the Interim results, the modernised design of the machines has been finalised and they have been re-branded as "Revolution". At the end of the year, the total number of units in the field was 275, comprising 213 sales to third parties and 62 units owned and operated by Photo-Me. This will be accelerated by additional production from a supplier in Eastern Europe. The target is to have between 2,000 and 3,000 units (either by way of sales or owned/operated) in the field by the end of calendar year 2015.

As with photobooths, the machines are very cash generative and to date, the average EBITDA margin on a laundry unit has exceeded 50%.

Other products

Digital printing kiosks are very much focused in Continental Europe, particularly France and Switzerland. While the market for simple printed photos is fairly mature, the Group continues to develop its range of innovative products, the latest of which is the Posterframe machine, for the production of high quality posters. This follows the introduction last year of the "all-in-one" kiosk, which incorporates a pocketbook maker. These products are designed to appeal to changing consumer taste.

Amusement machines are predominantly a UK business and the year has seen a reduction in the number of low value units which were loss making. The business overall is profitable but very small.

Business service equipment is largely in France, and much of the estate is co-located with photobooths and kiosks, and again is a small part of the business.

Sales & Servicing

	Revenue				Operating loss			
	2013 £m	2013† £m	2012 £m	Change† %	2013 £m	2013† £m	2012 £m	Change† %
Year to 30 April	22.4	23.5	29.8	-21.1	(0.6)	(0.1)	(2.5)	+96.5

† 2013 trading results of overseas subsidiaries converted at 2012 exchange rates

Substantially all of Sales & Servicing revenue derives from the sale to third parties of retail photographic equipment, in the form of machines and related supplies and consumables.

Revenue decreased a further 21.1%, but, following extensive restructuring, the business returned to break-even. The result includes a £2.4m profit on the sale of an industrial building in France (used within Sales & Servicing), offset by increased provisions on stock and other provisions.

Sales of product have remained at low levels in what continues to be a difficult market. The division is focusing its effort on supporting the Operations division in relation to manufacturing costs, R&D for the Group as a whole, and the sales of consumables.

Increasing the number of photobooth sites remains a priority for the Group and the increase of 6% to 24,900 was driven by increased penetration in Germany and the roll-out of the Starck booth.

Financial Review

Statement of comprehensive income

The following table summarises the results, analysed between the two Divisions, Operations and Sales & Servicing

Year to 30 April	Revenue				Operating profit/(loss)			
	2013 £m	2013† £m	2012 £m	Change† %	2013 £m	2013† £m	2012 £m	Change† %
Operations	173.2	180.3	178.0	+1.2	28.1	28.8	25.1	+14.1
Sales & Servicing	22.4	23.5	29.8	-21.1	(0.6)	(0.1)	(2.5)	+97.9
Group overheads					(3.3)	(3.3)	(2.6)	-33.1
	195.6	203.8	207.8	-2.0	24.2	25.4	20.0	+25.4

† 2013 trading results of overseas subsidiaries converted at 2012 exchange rates

Reported turnover decreased by 5.9% to £195.6m (-2.0% at constant currency).

EBITDA increased by 2.0% to £44.9m; the figure remains substantial, representing 23.0% of revenue

Operating profit improved by 20.9% from £20.0m to £24.2m (+25.4% at constant currency)

Net finance revenue was £0.1m. The pre-tax profit increased by 20.7% to £24.3m (2012: £20.1m)

After a tax charge of £6.7m (2012: £5.6m), representing a charge of 27.8% (2012: 27.8%), the profit after tax of £17.6m (2012: £14.5m) reflected a 20.7% improvement

The fully diluted earnings per share from continuing operations were 4.76 pence (2012: 3.95 pence)

Statement of financial position

Shareholders' equity totalled £97.1m (2012: £95.8m), equivalent to 26.7 pence (2012: 26.4 pence) per share

Cash generation has remained very strong and we have further increased our net cash balance to £61.4m (2012: £51.8m), leaving the Group well placed for the future

Business and Financial Review continued

Funding and treasury policy

The £9.6m net cash inflow is explained in the following summarised cash flow statement

	2013 £m	2012 £m
Opening net cash (as defined in note 19 to the accounts)	51.8	40.7
Cash flow		
Operating profit	24.2	20.0
Depreciation	20.7	24.0
Working capital	4.3	0.5
Taxation	(7.3)	(5.3)
Interest paid	(0.4)	(0.6)
Profit on sale of fixed assets	(2.7)	–
All others	0.1	(2.1)
Operating cash flow	38.9	36.5
Use of cash flow		
Capital expenditure	(19.0)	(18.3)
Dividends paid	(20.0)	(7.2)
Sale of Treasury Shares	5.7	–
Proceeds from sale of fixed assets	3.7	0.8
All others	0.3	(0.7)
	(29.3)	(25.4)
Net cash inflow	9.6	11.1
Closing net cash	61.4	51.8

Capital structure

The Group's funding policy is to maintain a timely flow of funds to meet anticipated funding requirements.

The Group manages its capital to sustain the future development of the business and to maximise long-term shareholder value. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or review the level or type of debt.

At 30 April 2013, the Group's borrowings were mainly short-term, and the amount was not material.

Surplus cash is placed in bank deposits and other investments with high credit ratings and kept under constant review.

The Group is primarily financed by Ordinary shares, retained profits and borrowings.

Financial instruments

With a strong net cash position, the Group currently finances its working capital and capital expenditure programmes from its own resources.

The Group takes the view that short-term debtors and creditors are not financial instruments that play a significant medium to long-term role in the financial risk profile of the Group.

Financial risks

The Group is exposed to the following risks arising from financial instruments: credit risk, liquidity risk and market risk.

**Operating profit
improved by 20.9%
from £20.0m to £24.2m**

Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, and on outstanding trade and other receivables. Cash deposits are limited to high credit quality financial institutions. The Group has policies in place to ensure that sales of products and services are made to customers with an approved credit history.

Liquidity risk

The Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The current facilities provide more than sufficient liquidity headroom to support the business for the foreseeable future. The strong net cash position over the past three years (£61.4m at 30 April 2013) has reduced liquidity risk for the Group.

Market risk

Foreign exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the local functional currency. Where possible, the Group tries to invoice in the local currency of the respective entity. If this is not possible, then to mitigate exposure, the Group endeavours to buy from suppliers and sell to customers in the same currency. In addition, the Group faces currency risks arising from monetary financial instruments held in non-functional currencies. Where possible, the Group tries to hold the majority of its cash and cash equivalent balances in the local currency of the respective entity.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The main currency translation risk relates to foreign operations whose functional currency is the Euro, Swiss franc or Japanese yen. The investments are not hedged.

Interest rate risk

With the low level of external debt at 30 April 2013, the Group is not currently exposed to significant interest rate risk exposure.

Business and Financial Review continued

Key performance indicators

The Group measures its performance using a mixture of financial and non-financial indicators. These are aligned to the Group's long-term strategy of enhancing shareholder value.

	2013	2012	Change
Vending sites			
Total	43,150	43,300	-0.3%
Photobooths	24,900	23,500	+6.0%
Digital printing kiosks & photobook makers	5,000	5,100	-2.0%
Other vending equipment	13,250	14,700	-9.9%
Revenue			
Total	£195.6m	£207.8m	-5.9%
Operations	£173.2m	£178.0m	-2.7%
Sales & Servicing	£22.4m	£29.8m	-24.9%
EBITDA	£44.9m	£44.0m	+2.0%
Operating profit			
Total	£24.2m	£20.0m	+\$4.2m
Operations	£28.1m	£25.1m	+\$3.0m
Sales & Servicing	£(0.6)m	£(2.4)m	+\$1.8m
Group overhead	£(3.3)m	£(2.7)m	-\$0.6m
Increase in net cash position	£9.6m	£11.1m	-\$1.5m
Gearing ratio	-	-	-
Gross capital expenditure	£19.2m	£18.4m	+\$0.8m
Depreciation and amortisation	£20.7m	£24.0m	-\$3.3m

Financial objective

Photo-Me's main financial targets for the future are to increase revenue, to maintain profitability and to provide attractive returns for investors backed by the Group's strong cash generation.

Risks and Uncertainties

Like all businesses, the Group faces risks and uncertainties that could impact the achievement of the Group's strategy. These risks are accepted as being part of doing business and the Board recognises that the nature and scope of these risks can change and so regularly reviews the risks faced by the Group as well as the systems and processes to mitigate them.

The table overleaf sets out what the Board believes to be the principal risks and uncertainties, their impact and the mitigation actions.

Nature of the risk	Description and impact	Mitigation
Economic		
• Global economic conditions	Economic growth is a major influence on consumer spending. A sustained period of economic recession could lead to a decrease in consumer expenditure in discretionary areas.	The Group focuses on maintaining the characteristics and affordability of its needs-driven products.
• Volatility of foreign exchange rates	The majority of the Group's revenue and profit is generated outside of the UK, and the Group results could be adversely impacted by an increase in the value of sterling relative to those currencies.	The Group sometimes hedges its exposure to currency fluctuations on transactions. However, by its nature, in the Board's opinion, it is very difficult to hedge against currency fluctuation arising from translation in consolidation in a cost-effective manner.
Regulations		
• Centralisation of production of ID photos	In many European countries where the Group operates, if governments were to implement centralised image capture for biometric passport and other applications, the Group's revenues and profits could be seriously affected.	The Group is developing new systems that could respond to this situation. The Group also ensures that its ID product remains affordable and of high quality. The Group is also conducting lobbying actions.
Strategic		
• Identification of new business opportunities	Failure to identify new business areas may impact the ability of the Group to grow in the long term.	The Management teams constantly review demand in existing markets and potential new opportunities. The Group continues to invest in research for new products and technologies.
• Inability to deliver anticipated benefits from the launch of new products	The realisation of long-term anticipated benefits depends upon the successful launch of the "Revolution®" laundry unit.	The Group regularly monitors the performance of newly installed machines, which are heavily trialled before launch.
Market		
• Commercial relationships	The Group has well-established long-term relationships with a number of site-owners. The deterioration in the relationship with, or ultimately the loss of, a key account could have a material impact on the Group's results.	Some of the Group's key relationships are supported by medium-term contracts. We actively manage our site-owner relationships at all levels to ensure a high quality of service.
Operational		
• Reliance on foreign manufacturers	The Group sources most of its products from outside the UK. Consequently, the Group is subject to risks associated with international trade.	Extensive research is conducted into quality and ethics before the Group procures products from any new country or supplier. The Group also maintains very close relationships with both its suppliers and shippers to ensure that disruption to production and supply are managed appropriately.
• Reliance on one single supplier of consumables	The Group currently buys all its paper for photobooths from one single supplier. The failure of this supplier could have a dramatic effect.	The Board has decided to hold a strategic stock of paper, allowing for one year's worth of paper consumption, to give enough time to put in place alternative solutions.
• Reputation	The Group's brand is a key asset of the business. Failure to protect the Group's reputation and brand could lead to a loss of trust and confidence. This could result in a decline in the customer base.	The protection of the Group's brand in its core markets is sustained by products with certain unique features and offerings as well as regular maintenance to maintain appearance.
• Product and service quality	The Board recognises that the quality and safety of both its products and services is of critical importance and that any major failure will affect consumer confidence.	The Group continues to invest in both its existing estate, to ensure that it remains contemporary, and in constant product innovation to meet customer needs. The Group also has a programme to regularly train its technicians.

Serge Crasnianski
Chief Executive Officer

Françoise Coutaz-Replan
Group Finance Director

Board of Directors and Secretary

1 John Lewis OBE

Non-executive Chairman

Joined the Board in July 2008 and appointed Chairman in May 2010. Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. Currently a consultant to Messrs Eversheds and a Director of AIM market company, Prime People plc as well as various private companies. Previously a practising solicitor and partner in Lewis Lewis and Co which became part of Eversheds after a series of mergers. Also previously served as Chairman of Cliveden Plc and Principal Hotels plc and as Vice Chairman of John D Wood & Co plc and Pubmaster Group Ltd.

2 Serge Crasnianski

Chief Executive Officer and Deputy Chairman

Appointed to the Board in May 2009. Previously served on the Board from 1990 to 2007, until 1994 as a Non-executive Director, from 1994 as an Executive Director and as Chief Executive Officer from 1998 to 2007. Founded KIS in 1963.

3 Françoise Coutaz-Replan

Group Finance Director

Appointed to the Board in September 2009. Joined KIS in 1991. Appointed Finance Director of Photo Me France and KIS in November 2007.

4 Emmanuel Olympitis

Non-executive Director

Appointed to the Board in December 2009
Senior Independent Non-executive Director, Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees. Previous directorships include China Cablecom Holdings Limited (NASDAQ), Canoe International Energy Limited (Canada), Matica plc, Secure Fortress plc, Bulgarian Land Development plc, Norman 95 plc, Pacific Media plc (Executive Chairman) and Bella Media plc (Chairman). Early career in merchant banking and financial services, including as Executive Director of Bankers Trust International Ltd, Group Chief Executive of Altken Hume International plc and Executive Chairman of Johnson & Higgins Ltd.

5 Jean-Marcel Denis

Non-executive Director

Appointed to the Board on 1 March 2012
Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Founded his own auditing firm in 1970 in Paris, Auditeurs & Conseils Associes (ACA) and sold his interest in ACA in 2005. Subsequently a consultant in Finance & Conseils Associes, which specialises in business valuations.

6 Yitzhak Apeloig

Non-executive Director

Appointed to the Board on 8 March 2012. A qualified accountant and Managing Partner of ATE Technology Equipment BV, a private equity firm active mainly in Israel. Chairman of Leader Holdings and Investments Ltd and Polar Communications Ltd and Director of Leader Capital Markets Ltd (all quoted on the Israeli Tel Aviv Stock Exchange). Chairman or Director of a number of other private companies. Previously Executive Chairman of Telit Communications plc, having led its flotation on the London AIM market in 2005.

7 Del Mansi

Company Secretary

Joined the Group in 2006. A qualified solicitor. Served as interim Company Secretary from April to July 2008. Appointed Group General Counsel in 2009, a role retained upon being appointed Company Secretary on 10 May 2013.

Report of the Directors

The directors submit to the shareholders their report, the audited consolidated financial statements of the Group and such audited financial statements of Photo-Me International plc as required by law for the year ended 30 April 2013. The Chairman's Statement, the Business and Financial Review and the Corporate Governance Statement should be read as forming part of this report.

Principal activities

The principal activities of the Group continue to be the operation, sale and servicing of a wide range of instant service equipment. The Group operates coin-operated automatic photobooths for identification and fun purposes and a diverse range of vending equipment, including digital photo kiosks, amusement machines, business service equipment and laundry machines. Sales and servicing comprises the development, manufacture, sale and after-sale servicing of both the above-mentioned equipment and a range of photo-processing equipment and album makers.

The principal subsidiary and associated undertakings of the Group are shown on page 91.

Results and dividends

The results for the year are set out in the Group statement of comprehensive income on page 36.

The directors recommend a final dividend of 1.5p per Ordinary share which, if approved at the Annual General Meeting, will be paid on 7 November 2013 to shareholders on the register at 27 September 2013 (ex-dividend date: 25 September 2013). This, together with the interim dividend of 1.5p per share paid on 7 May 2013, makes a total dividend for the year of 3.0p per Ordinary share. In addition, a special dividend of 3.0p per Ordinary share was paid on 8 March 2013.

Review of the business and future developments

The Chairman's statement and the Business and Financial Review, which form part of this report, describe the activities of the business during the financial year, recent events and the outlook for the future. A discussion of the key risks facing the Group and an analysis of key performance indicators are also provided.

Market value of land and buildings

The directors consider that the market value of the Group's interest in land and buildings (including investment property) materially exceeds its aggregate net book value of £3,317,000 that is included in these financial statements.

Research and development

The Group is committed to its research and development programme in order to maintain its introduction to the market of innovative products.

The expenditure incurred on the development of new vending equipment and photo-processing equipment is shown in notes 4 and 11 to the financial statements.

Employees

Information on the Group's employment practices including employee communication and involvement is contained within the Corporate Responsibility Statement on page 24.

Corporate responsibility

A summary of the Company's approach to corporate social responsibility and environmental matters can be found in the Corporate Responsibility Statement on pages 23 to 25.

Board of directors and their interests

The current directors of the Company are John Lewis (Chairman), Serge Crasnianski (Chief Executive Officer and Deputy Chairman), Françoise Coutaz-Replan (Group Finance Director), Emmanuel Olympitis (Senior Independent Non-executive Director, Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees), Jean-Marcel Denis (Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees) and Yitzhak Apeloig. Further details, together with a brief biography of each director, can be found on pages 14 and 15. All directors served on the Board throughout the year under review.

In addition to the powers conferred on the directors by law, the Company's Articles of Association also set out powers of the directors; a copy of the Articles of Association can be found on the Company's website.

The director retiring by rotation and being put forward for re-appointment at the Annual General Meeting this year is Emmanuel Olympitis.

Details of the directors' contracts, emoluments and interests in shares and share options are given in the Remuneration Report on pages 26 to 32.

Directors' and officers' liability insurance

The Company maintained directors' and officers' liability insurance cover throughout the financial year. This insurance cover extends to directors and officers of subsidiary undertakings and remains in force.

Article 191 of the Company's Articles of Association provides for the indemnification of directors of the Company and associated companies and of directors of a company that is the trustee of an occupational pension scheme for employees of the Company or an associated company against liability incurred by them in certain situations, and is a "qualifying indemnity provision" within the meaning of Section 236 (1) of the Companies Act 2006.

Substantial shareholders

As at 26 June 2013, the Company has been notified of the following disclosable interests in the Ordinary shares of the Company

	Number of Ordinary shares	% of total voting rights	Nature of holding
Serge Crasnianski (director)	79,783,450	21.49	*Direct/indirect
Western Management Overseas Limited	65,963,267	17.77	Direct
Dan David Foundation	45,579,318	12.28	Direct
Schroder Investment Management Limited	40,296,101	10.86	Indirect
Norges Bank	14,400,000	3.88	Direct

* Except for 63,750 Ordinary shares held in his own name, the interest in which is direct, the remaining shares are registered in the name of Tibergest S.A. and Mr Crasnianski's interest in those remaining shares is indirect.

Except for the above, the Company has not been advised of any shareholders with interests of 3% or more in the issued Ordinary share capital of the Company.

Philippe Wahl, a former director of the Company, has declared an interest in the shares registered in the name of Western Management Overseas Limited.

Share capital

The issued share capital of the Company, together with details of the movements in the Company's issued share capital during the year, are shown in note 20 to the financial statements. Each Ordinary share of the Company carries one vote at general meetings of the Company. Following the exercise of share options since 30 April 2013, the number of shares in issue has increased to 371,250,671, all of which shares carry voting rights.

Authority to purchase shares

The Company will seek approval at the 2013 Annual General Meeting to renew the authority for the Company to make market purchases of up to 10% of its own Ordinary shares at a maximum price per share of not more than 5% above the market value. This authority will expire on the earlier of 18 months from the passing of the relevant special resolution or the conclusion of the next Annual General Meeting. The Company made no repurchases of shares in the year to 30 April 2013. On 13 March 2013, the Company sold through the market the 7,505,000 Ordinary shares (2.0% of the then issued Ordinary shares following such sale) purchased in previous years that were held in treasury at a price of 78.0p per Ordinary share.

Additional information

Where not provided elsewhere in the Report of the Directors, the following provides the additional information required to be disclosed in the Report of the Directors.

The structure of the Company's share capital including the rights and obligations attaching to the shares is set out within note 20.

No person holds securities carrying special rights with regards to control of the Company.

There are no restrictions on the transfer of Ordinary shares in the capital of the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law). In accordance with the Listing Rules of the Financial Conduct Authority, certain employees are required to seek the approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of shares or on voting rights.

The rules governing the appointment of directors are set out in the Corporate Governance Statement on pages 19 to 21. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

Report of the Directors continued

The Company is party to a number of agreements with site-owners (such as major supermarket chains) which could be terminable by the site-owner following a change of control

There are no agreements between the Company and its directors or employees which provide for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid

The Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in this Report of the Directors

Proxy appointment and voting instructions must be received by the registrars not less than 48 hours before a general meeting

Related party transactions

Details of related party transactions are set out in note 28 to the financial statements

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

- agree the terms of payment at the start of business with the supplier,
- ensure that those suppliers are made aware of the terms of payment, and
- 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 practice. The Company's average creditor payment period at 30 April 2013 was 58 days (2012: 53 days)

Going concern

Having reviewed forecasts, cash flow, financial resources and financing arrangements and after making enquiries, the directors consider that the Company and the Group have adequate resources to remain in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements

Financial instruments

Details of the financial risk management objectives and policies of the Group and exposure of the Group to foreign exchange risk, interest rate risk and liquidity risk are given on pages 10 to 13 and note 15 to the financial statements

Disclosure of information to auditors

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

Auditors

Our auditors, KPMG Audit Plc, have instigated an orderly wind down of business. The Board has decided to propose KPMG LLP to be appointed as auditors of the Company in place of KPMG Audit Plc and a resolution concerning their appointment will be put to the forthcoming Annual General Meeting of the Company

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 12 September 2013, is sent to all shareholders of the Company. The Notice convening the meeting provides full details of all the resolutions to be proposed, together with explanatory notes for the special business. Copies of this Annual Report are sent only to shareholders who have requested or request a copy

By order of the Board

Del Mansi
Company Secretary

26 June 2013

Corporate Governance Statement

(forming part of the Report of the Directors)

Statement of compliance with the UK Corporate Governance Code

The Financial Conduct Authority requires listed companies incorporated in the United Kingdom to include in their annual financial report (i) a statement of how they have applied the main principles set out in the UK Corporate Governance Code (the "Code") and (ii) a statement as to whether they have complied throughout the accounting period with all relevant provisions set out in the UK Corporate Governance Code. The directors consider that the Company has, throughout the year ended 30 April 2013, complied with the provisions of the Code (the June 2010 edition) applicable to it. The Code and associated guidance are available on the Financial Reporting Council website at www.frc.org.uk

Explanations of how the principles have been applied and the provisions complied with are set out below

The Board

Throughout the year under review, the Board was comprised of the same six directors, being the Chairman, the Chief Executive Officer, the Group Finance Director and three Non-executive Directors, two of whom the Board considers to be independent, namely, Emmanuel Olympitis and Jean-Marcel Denis

The Chairman has the overall responsibility for managing the Board. The Chief Executive Officer has responsibilities for strategy, operations and results. Clear division of responsibility exists such that no one individual or group of individuals can dominate the Board's decision-making process. Throughout the year under review, John Lewis served as Chairman and Serge Crasnianski served as Chief Executive Officer and Deputy Chairman.

The Board structure has complied with the Code provision that, as a "smaller company" (as defined by the Code), the Company has two independent Non-executive Directors excluding the Chairman.

The Board believes that Yitzhak Apeloig is non-independent due to his existing business relationships with two major shareholders of the Company. Before his appointment, Yitzhak Apeloig confirmed to the Board that he will not represent these shareholders, holds no mandate from them, nor will he report to them.

Emmanuel Olympitis has served as the Company's Senior Independent Non-executive Director throughout the period.

In the event of the appointment of a new director, the Board would ordinarily appoint someone who, it believes, has sufficient knowledge and experience to fulfil the duties of a director. If this were not the case, an appropriate training course would be provided. An appropriate induction programme is undertaken for all newly-appointed directors. 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 at a maximum of every three years and newly appointed directors are subject to election by shareholders at the first Annual General Meeting after their appointment.

The Chief Executive Officer and the Chairman review the performance of each Executive Director. The Chairman reviews the performance of the Chief Executive and each Non-executive Director. The Non-executive Directors, led by the Senior Independent Non-executive Director, evaluate the performance of the Chairman. During the year, the Chairman met with Non-executive Directors without the Executive directors being present.

An internal process to assess the effectiveness of the Board was undertaken during the year, consisting of a confidential survey. Areas that were identified in which there was considered to be room for improvement, will be addressed by the Board during the current year.

The Board is normally scheduled to meet four or five times a year, with ad hoc meetings convened to deal with urgent matters. The Board has a formal schedule of matters reserved to it for decision. These include approval of the financial statements, dividend policy, major acquisitions and disposals and other transactions outside delegated limits, significant changes in accounting policies, the constitution of Board Committees, risk management and corporate governance policy.

The Board has delegated various matters to Committees, as detailed below. These Committees of the Board meet regularly (the Nomination Committee meets as required) 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 which are available on the Company's website (www.photo-me.co.uk). Decision-making relating to operational matters is delegated to senior management.

Board and Committee papers are provided at each meeting and are supplemented by reports and presentations to ensure that Board members are kept fully informed.

Corporate Governance Statement continued

The Board continued

The Board had six meetings during the year under review. The attendance of directors at those meetings and meetings of Board Committees is set out below.

Number of meetings held	Board 6	Audit Committee 3	Remuneration Committee 3	Nomination Committee –
Number of meetings attended (maximum possible)				
Director				
J Lewis	5(6)	3(3)	3(3)	– (–)
S Crasnianski	6(6)	n/a	n/a	n/a
Y Apeloig	6(6)	n/a	n/a	n/a
F Coutaz-Replan	6(6)	n/a	n/a	n/a
J-M Denis	6(6)	3(3)	3(3)	– (–)
E Olympitis	6(6)	3(3)	3(3)	– (–)

Board Committees

The Audit Committee

The Audit Committee consists entirely of non-executive directors. For the whole of the year under review, Jean-Marcel Denis (Committee Chairman), Emmanuel Olympitis and John Lewis (Chairman of the Company) served on the Committee. The composition of the Committee was compliant with the Code, which permits a smaller company's Chairman to be a member of the Audit Committee providing he was considered independent on appointment as Chairman. The Board considers that both Emmanuel Olympitis and Jean-Marcel Denis have suitable recent and relevant financial experience to satisfy the requirements of the Code.

The Committee's Terms of Reference are available on the Company's website.

Meetings are normally held at least twice per year. Three meetings were held during the year under review. Other directors (the Chief Executive Officer, the Group Finance Director and Yitzhak Apeloig – who is a qualified accountant) together with representatives of the external auditors and the Group's internal auditor are generally invited to attend meetings. The minutes of the meetings are circulated to all directors.

The Committee meets with the external auditors, without executive directors present, at least once a year. On behalf of the Board, 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. In addition, the Committee monitors the effectiveness of both the external and internal audit functions and reviews the Group's internal financial control systems and reporting processes, and risk management procedures. The Committee considers the appointment of the external auditor and recommends the audit fee to the Board, sets a policy for safeguarding the independence of the external auditors and reviews their work outside of the audit itself, taking into account the nature of the work, the size of the fees and whether it is appropriate for the external auditors to carry out such work. Details of audit and non-audit fees are provided in note 4 to the financial statements.

KPMG Audit Plc has been the external auditor of the Group since December 2008. The Audit Committee is satisfied with the effectiveness, objectivity and independence of the external auditor. KPMG Audit Plc has instigated an orderly wind down of business and the Board has decided to put KPMG LLP forward to be appointed as auditors at the forthcoming Annual General Meeting of the Company.

A whistle-blowing procedure, by which staff may raise concerns about possible improprieties in matters of financial reporting or other matters, was in place throughout the year. The whistle-blowing policy can be found on the Company's website.

The Remuneration Committee

During the year under review, the Remuneration Committee comprised Emmanuel Olympitis (Committee Chairman), Jean-Marcel Denis and John Lewis (Company Chairman). Thus, the composition of the Committee was compliant with the provisions of the Code which requires the Remuneration Committee of a smaller company to comprise at least two independent non-executive directors with the Company Chairman additionally being permitted to serve as a member providing that he was considered independent on his appointment as Chairman.

The Committee meets at least once per year. Three meetings were held in the year to 30 April 2013.

The Committee makes recommendations to the full Board in respect of the Group's remuneration policy. The Committee also keeps under review the remuneration of the Chairman, the Group's executive directors and senior executives, to ensure that they are rewarded fairly for their contribution. The Committee also makes awards under the Executive Share Option Scheme. The Committee's Terms of Reference are available on the Company's website.

The Remuneration Report on pages 26 to 32 provides details of how the Committee applies the directors' remuneration principles of the Code.

The Nomination Committee

During the year under review, the Nomination Committee comprised John Lewis (Committee Chairman), Emmanuel Olympitis and Jean-Marcel Denis. Thus, the composition of the Committee was compliant with the provisions of the Code which requires the Nomination Committee of a smaller company to comprise a majority of independent non-executive directors with the Company Chairman additionally being permitted to serve on the Committee as a member or as Chairman.

The Committee, which meets as required, makes recommendations to the Board on the appointment of new directors. As no new candidates were considered for appointment to the Board during the year, the Committee did not meet in the year. The Committee's Terms of Reference are available on the Company's website.

Relations with shareholders

The Chief Executive Officer and Group Finance Director have regular meetings with the Company's major institutional shareholders to help ensure, amongst other things, that the Board develops an understanding of the views of major shareholders about the Company.

The Chairman also meets with major shareholders and has contact with them, as and when required. The Senior Independent Non-executive Director and, where appropriate, other non-executive directors, are also made available to meet with major shareholders, on request. Any pertinent feedback arising from such meetings is reported to the Board at its regular meetings.

Private investors are encouraged to attend the Annual General Meeting and have the opportunity to question the Board. All members of the Board usually attend the Annual General Meeting. The notice of the meeting is sent to shareholders at least 20 working days before the meeting. Shareholders are given the opportunity to vote on each separate issue. The number of proxy votes lodged is announced after the vote on a show of hands for each resolution and is published on the Company's website.

Corporate Governance Statement continued

Internal control

The Board is ultimately responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. This is effected by receiving reports from the Audit Committee following its review. The Board confirms that it has reviewed the effectiveness of the systems of internal control. The Board is satisfied generally that such systems have operated adequately throughout the period.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. Such a system can, however, provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has in place processes for identifying, evaluating and managing the significant risks which are applicable to the business. The Board regularly reviews these processes.

The Chief Executive Officer is ultimately responsible for risk management. Executive managers of individual Group companies are responsible for the identification, evaluation and management of the key risks applicable to their areas of responsibility. The risks are assessed on a regular basis.

The managers of Group companies are aware of their responsibility to operate systems of internal control which are effective and efficient for their businesses, to provide reliable financial information and to ensure compliance with local laws and regulations.

The Group has a comprehensive budgeting system with an annual budget approved by the Board. Actual results are reported monthly through the Group's financial systems, and variances are reviewed.

The Group's internal auditor (who reports to the Audit Committee) has reviewed operations in all material Group companies during the year under review. The Audit Committee receives reports from the internal auditor and from the external auditors and reports its conclusions to the Board.

Conflicts of interest

During the year, directors completed questionnaires in respect of their interests. No actual or potential conflicts of interest were identified. The Board will continue to monitor and review actual or potential conflicts of interest on a regular basis and will consider whether or not it is appropriate to authorise any such conflicts.

Corporate Responsibility

Our approach to corporate responsibility

The Group recognises its responsibilities to the community and the environment and believes that health, safety and environmental issues are integral and important components of best practice in business management. Our management of corporate responsibility can influence our ability to create long-term financial and non-financial value, and impacts on our relationship with shareholders and other stakeholders.

We believe that effective management of corporate responsibility can reduce risks and also help us identify business opportunities.

We prioritise our corporate responsibility activities based on three main drivers:

- legal requirements and future policy trends,
- customer, employee and investor preferences for corporate responsibility, and
- cost savings and business efficiency.

We aim to ensure that our approach is consistent with the directors' duty to promote the success of the Company, a legal requirement included in the UK Companies Act 2006. This duty is based on the principle of 'enlightened shareholder value'.

How we manage corporate responsibility

Our Board is ultimately accountable for corporate responsibility. The Chief Executive has specific responsibility for risk management and health, safety and environmental matters, with delegated authority through line management.

The Group operates in highly differentiated national markets with differing national legislations, preferences and cultures. As a result, operational direction and management of corporate responsibility lie primarily with national business managers, who are best placed to ensure compliance with national legislation and market expectations.

The Group internal audit programme operates on a risk-based assessment process, including corporate responsibility issues. The Board reviews Group-wide performance on corporate responsibility within the assessment and review process. Where necessary, Group-wide policies are developed or revised to address specific risks and opportunities, or new information.

Products

The development, use and disposal of our products represent a main area of both risk and opportunity. We ensure that our products and services are designed to meet existing legislation and customer expectations. Increasingly, this includes environmental, health & safety and accessibility issues.

To ensure that products manufactured by KIS SAS (the Group's manufacturing subsidiary, based in France) consistently satisfy our stringent quality requirements, certification to the ISO 9001 standard has been achieved.

Being conscious of the global issues with the disposal of waste and having regard to increasing metal prices and landfill costs, we have paid more attention to the re-use and recycling of our retired products. Presently, at the end of their useful lives more than 90% by weight of the materials used in our photoboos is recycled – most of this being steel and other metals. In response to our concerns about the increase in energy costs and man-made contributions to climate change, we have also embraced technological advances by investing in energy-saving improvements to our products, which are explained further under "Environment", below.

The needs of all our customers are important. This drives a continual review of our products and the development of solutions to meet these needs. For example, we have improved the service provided to our disabled customers and at the same time complied with the requirements of the Disability Discrimination Act, by introducing within our photoboos on-screen instructions for the hard-of-hearing and voice instructions as well as carefully selected screen colours and font sizes to assist those with visual impairments. In addition the development of the Universal photobooth enables access for users confined to a wheelchair.

Corporate Responsibility continued

Employees

Our highly skilled and committed workforce gives us a distinct competitive advantage. We recognise that we must continue to help meet our employees' needs and expectations.

We have a tradition for in-house training and promoting internal candidates, and have set up several programmes to support life-long learning. Many of our Group companies work with local schools and universities to attract skilled young people.

In line with best practice, we also have a Group-wide equal opportunities policy, ensuring non-discrimination on the basis of age, gender, race and disability. The equal opportunity policy 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.

Where appropriate, employees are provided with information on matters of interest and concern to them. We encourage contact and interaction between all members of staff at all levels.

Health & safety

We are committed to ensuring that customers, site-owners and employees are free from risk from any products operated by the Group. In addition to these moral and ethical considerations we believe that the effective management of health and safety is an essential ingredient for successful business performance. The commitment to the safety of our customers and business partners is achieved through a network of trained service operatives who routinely service installed equipment on customers' sites as well as conducting periodic safety inspections and tests. Customers and site-owners are able to quickly raise any safety concerns through our own call centres, which will immediately inform management and direct an operative to the site.

New products from external suppliers are assessed to ensure that they meet the relevant safety standards before being placed on the market. Where appropriate we will work with our suppliers, sharing the benefit of our many years' experience to develop products with the greatest level of safety.

Children's rides manufactured by Jolly Roger (Amusement Rides) Limited, a Group subsidiary company in the UK, are produced in accordance with the industry guidance issued by BACTA (British Amusement and Catering Trades Association). This supplements the various British, European and International standards that apply to children's rides and ensures a minimum standard of quality and safety. The Company is also a registered inspection body within the UK of the ADIPS Scheme (Amusement Device Inspection Procedures Scheme) administered by BACTA and enables our qualified operatives to inspect children's rides and issue the required safety certification.

Within the UK, the Chief Operating Officer fully supports the Health & Safety Policy and has ensured that there is provision within the agenda of regular senior executive meetings to address health and safety matters. The policies and procedures developed over the years continue to be reviewed and adjusted as part of the process of continual improvement as well as keeping pace with legislative change. We believe that it is important to empower individuals at all levels and give them the tools and skills they require, through providing relevant training and information, if we are to achieve the standard of health and safety performance to which Photo-Me aspires. Following the gaining of a recognised NEBOSH (National Examining Board of Occupational Health and Safety) qualification, by 10% of our UK employees at various levels in the organisation, there has been a positive response with employees and managers having increased their involvement in health, safety and welfare. Photo-Me also continues to improve the employee induction process and maintains the on-line Safety Media training system to train and refresh employee skills as required.

Photo-Me continues to maintain its membership with the British Safety Council. As well as demonstrating our commitment to safety and environmental best practice and continual improvement, this continued partnership provides us with access to expert advice and quality training resources which assists us in achieving these goals.

In the UK, the Company is accredited under the SAFEcontractor scheme. This accreditation is reviewed annually and requires that all of our Health & Safety policies and procedures are audited by the scheme.

We recognise that all employees have an important contribution to make in the ongoing development and implementation of our Health & Safety policies and procedures. This is reflected in the representation from all levels of the business on the Health & Safety Committee.

Environment

As a Company, we recognise our responsibilities towards the environment and the impact of our business activities. The main risks to the business in this area arise from increasing legislation and the cost of waste disposal. The Company has mitigated the exposure to these risks by

- consistently reducing. In previous years, the amount of obligated waste produced. During the current year the UK operations were able to maintain the gains previously achieved,
- the recovery, refurbishment and resale of electrical equipment such as minilabs and children's rides which promote the principle embodied in recent legislation of reuse before recycling. This not only produces cost savings but also creates a source of income, and
- where practical, adopting a strategy of upgrading and refurbishing equipment in preference to disposal and replacement

Where possible we endeavour to embrace technological advances to reduce the impact of our operations on the environment. Such initiatives include

- the ability to automatically shut down (and restart) photoboosts during closing hours which saves around 30% of power consumption on site,
- through remote telemetry systems being able to reduce the number of service visits to a minimum and reduce wastage of consumables,
- the substitution of old technology lighting with new low energy lamps in all photoboosts. The new Photobooth by Starck uses the latest LED lighting which also eliminates the hazardous waste associated with fluorescent tubes, and
- the replacement of the majority of old CRT monitors with new flat screen technology which is more energy efficient and also eliminates the associated hazardous waste

Although we are not presently exposed to material risks related to climate change, we are taking proactive steps to ensure that our energy use and demand on natural resources are reduced wherever possible. In addition to the examples highlighted above, Photo-Me operates a green fleet policy which specifies that vehicles are sourced according to practicality and environmental impact as defined in terms of CO₂ emissions. We have achieved the target set last year of further reducing vehicle CO₂ ratings by 2%, to a total of 18% compared to the 2008 fleet, which will save 80 tonnes of CO₂ from entering the atmosphere each year. This is supported by the Company's Road Risk Policy which assists in reducing fuel consumed as well as an overall reduction in the number of miles driven.

Remuneration Report

The Remuneration Committee

In line with the requirements of the UK Corporate Governance Code (the "Code"), the Committee operates within agreed terms of reference and has responsibility for determining the remuneration of the Chairman, the executive directors and the Group's other senior executives. As explained below, the Board confirms that the Company has complied throughout the relevant year with the provisions of the Code relating to directors' remuneration.

The directors who served on the Committee throughout the year were as follows:

	Date of appointment as Committee Member
Emmanuel Olympitis (Committee Chairman)	7 December 2009
John Lewis	9 July 2008
Jean-Marcel Denis	1 March 2012

The Committee is advised by New Bridge Street, part of Aon plc, which has been appointed by the Committee and which advises it on various matters relating to the remuneration of the Chairman, executive directors and senior executives. New Bridge Street also provides advice to the executive directors in respect of the remuneration of non-executive directors. Under long-standing relationships, other Aon plc subsidiaries provided pension scheme management, actuarial services and general insurance broking services to the Company, during the year. The Remuneration Committee is satisfied that these additional services received by the Company do not prejudice the independence of the remuneration advice provided to it by New Bridge Street.

The Committee also receives advice from the Chief Executive Officer in relation to the remuneration of certain senior executives (but not in relation to his own remuneration).

The Company Secretary is secretary to the Committee.

The terms of reference of the Committee can be found in the investor relations section of the Company's website.

This report will be submitted to the forthcoming Annual General Meeting (AGM) for approval.

Remuneration policy for executive directors

The Committee's remuneration policy for the executive directors is to have regard to the directors' experience and the nature and complexity of their work in order to provide a competitive remuneration package that attracts, retains and motivates high calibre executives from whom first class performance is expected. The remuneration policy is also intended to be consistent with the Company's business objectives, risk profile and shareholder interests.

The Committee also ensures that, when determining the executive directors' remuneration packages, due account is taken of pay and general employment conditions elsewhere in the Group, liaising with the Human Resources department where appropriate.

In order to align the interests of shareholders and executive directors, a significant proportion of the remuneration of executive directors is performance-related through an annual bonus plan and the grant of share options.

The Committee will ensure that the incentive structures for executive directors and senior managers will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, with regard to overall remuneration structures, there is no restriction on the Committee which prevents it from taking into account ESG matters, nor do these remuneration structures encourage inappropriate operational risk-taking.

The remuneration packages of the executive directors can comprise the following main elements:

- Basic salary
- Annual bonus
- Share options
- Pensions
- Other benefits

Basic salary

Since his appointment as Chief Executive Officer in July 2009 to the end of the period under review, Serge Crasnianski has received a basic annual salary of £121,000 and a third party company supplying Serge Crasnianski's services to the Company has received annual fees of £325,000, in aggregate £446,000

Since her appointment in September 2009 to the end of the period under review, Françoise Coutaz-Replan, Group Finance Director, has received a basic annual salary of £150,000

The basic salaries of the executive directors are reviewed annually by the Committee. In conducting this review, the Committee takes account of the terms of existing service contracts (including the modest pension provision, compared to the market) and the performance of the individual executive director concerned. The Committee also has regard to the pay of staff and management generally within the Group and takes into consideration the levels of basic salary paid by other relevant companies of similar size and standing, and market levels generally.

The basic salaries of all executive directors are reviewed annually on 1 May. No executive directors received increases in their basic salaries during the year under review.

Annual bonus

The executive directors are eligible for annual bonuses based upon the financial performance of the Group and the attainment of personal objectives. The maximum award level for the year under review and the forthcoming year for Serge Crasnianski was 100% of basic salary and for Françoise Coutaz-Replan it was 50% of basic salary. In respect of Serge Crasnianski, the whole of his bonus relates to the Group's pre-tax profit performance, with 75% of basic salary being paid as a bonus if pre-tax profit for the year exceeded that of the previous year and a 100% bonus for exceeding the previous year by 5%. If the Group's pre-tax profit is less than that of the previous year, any bonus will be entirely at the discretion of the Committee. The bonus for Françoise Coutaz-Replan is based on a similar sliding scale, with the relevant percentages being 25% and 35% of her basic salary. In addition, a further bonus of up to 15% of her basic salary will be awarded for the achievement of personal objectives.

The contracts of Serge Crasnianski and Françoise Coutaz-Replan provide that, if the Remuneration Committee so decides at its sole option, a maximum of 50% of any bonus awarded may be paid in the form of shares in the Company which must be held by the director for a minimum period of three years from the date of issue, whilst remaining in the Company's employment.

In accordance with the targets set for the year, the Committee has determined that, as the Group's pre-tax profit improved by more than 5% for the year to 30 April 2013 (in fact, by 20%), a 100% bonus will be paid to Serge Crasnianski and a 35% bonus will be paid to Françoise Coutaz-Replan. The Committee has also decided that a 15% bonus will be paid to Françoise Coutaz-Replan in respect of the achievement of her personal objectives for the year. Having regard to the existing substantial share interests of Serge Crasnianski in the Company, and the level of bonus earned by Françoise Coutaz-Replan, the Committee has decided that the bonuses to both executives should be paid fully in cash, for the year under review.

The Committee envisages that the bonus opportunity of both executives for the forthcoming year will be structured in a similar manner to that described above.

Share options

In 2004, the Company introduced the Photo-Me Executive Share Option Scheme (the "Scheme"), which operates as the sole long-term incentive arrangement for the Company's executive directors and senior employees.

The main features of the Scheme are that options may be granted over shares worth up to 150% of a participant's salary, each year. The vesting of options is subject to an earnings per share ("EPS") based performance condition relating to the extent to which the Company's EPS for the third financial year end, following the date of grant, reaches a sliding scale of challenging EPS targets.

Absolute EPS targets are used as the Committee believes that the Company's senior executive team should have a transparent incentive which focuses them on delivering substantial EPS growth over subsequent three year periods. The extent to which these targets are met will be determined by the Committee, with the assistance of external consultants to ensure independent verification.

Options will normally be exercisable between three and seven years after grant.

Remuneration Report continued

Share options continued

The only options granted to current directors under the Scheme have been to Françoise Coutaz-Replan and are summarised in Table 3 on page 30. Options were granted in the year under review to Françoise Coutaz-Replan on 4 July 2012 (the option cost representing 60.58% of her salary)

The performance condition that applies to this 2012 award is based on the extent to which (if at all) the Company's adjusted EPS for the financial year ending 30 April 2015 ("EPS 2015") reaches a sliding scale of challenging EPS targets. No part of an option will become exercisable unless adjusted EPS 2015 is at least 4.3p, in which case the options will become exercisable as follows

EPS 2015	Portion of option that becomes exercisable
4.3p	Up to 25% of salary
4.9p	Up to 50% of salary
5.5p	Up to 75% of salary
Between the above points	On straight-line basis between the above

No other current director, including Serge Crasnianski, had any interests in share options in the year under review

At present, options over approximately 1.5% of the Company's issued share capital subsist

The Committee will keep under review the Company's share-based long-term incentive policy, to ensure that it supports the Company's strategic objectives

Pensions (Audited information)

The service agreement of Serge Crasnianski makes no provision for pension contributions by the Company. Other executive directors with salaries paid by the Company in the UK are entitled to join the Company's Group Personal Pension Plan, to which the Company contributes 5% of their basic salaries. This only applied to Françoise Coutaz-Replan, for whom the Company contributions at the rate of 5% of her basic salary were

	2013 £	2012 £
Françoise Coutaz-Replan	7,500	7,500

Other benefits

Executive directors are provided with employment-related benefits which can include a company car, private medical insurance and an overseas housing allowance for any director whilst working outside his or her country of normal residence

Service agreements

Executive directors have service agreements with the Company. No executive directors are (or were) appointed for a specified period

The contractual arrangements with Serge Crasnianski are dated 22 July 2010. The service agreement of Serge Crasnianski and the consultancy services agreement with a third party company which supplies Serge Crasnianski's services to the Company both provide that they are terminable by the Company on giving 12 months' notice

Françoise Coutaz-Replan has a service agreement with the Company dated 9 December 2009 which is terminable by the Company on giving six months' notice

The Committee's policy is that no future executive director's service agreement shall be for a fixed term nor shall be terminable on giving more than 12 months' notice and that such agreement shall contain no provisions for the payment of liquidated damages on termination, which the Committee considers appropriately reflects market and best practices

Within the restrictions imposed by the relevant service agreements, the Committee will apply the principle of mitigation when determining any payment of compensation on an executive director's termination.

Emmanuel Olympitis is submitting himself for re-election at the Annual General Meeting of the Company to be held on 12 September 2013. Under his contract with the Company, failure to be re-elected in such a case is a ground for automatic termination without compensation

Remuneration of non-executive directors

The remuneration of the Chairman is determined by the Remuneration Committee and the fees of the non-executive directors are determined by the Chairman and the executive directors. In both cases taking into account the level of fees paid by companies of a similar size and standing, together with each non-executive director's time commitment.

Non-executive directors are not entitled to participate in any Group pension scheme nor will they be granted any awards under the Company's option schemes or annual bonus plan. No non-executive directors receive any benefits-in-kind.

All non-executive directors are appointed for specified terms subject to re-election at the AGM immediately following their appointment and every three years thereafter. None of the non-executive directors will ordinarily be entitled to compensation upon termination of their involvement with the Company. However, if a non-executive director should be removed as a result of a resolution duly proposed and resolved by members of the Company during the non-executive director's normal term of appointment, he will be entitled to compensation equal to three months' fees, six months in the case of the Chairman.

	Date of last appointment	End of period of appointment
Non-executive directors		
John Lewis	AGM 2011	AGM 2014
Yitzhak Apeloig	AGM 2012	AGM 2015
Jean-Marcel Denis	AGM 2012	AGM 2015
Emmanuel Olympitis	AGM 2010	AGM 2013

Appointments outside the Group

It is the Committee's policy that, in appropriate circumstances, executive directors will be allowed to accept outside appointments. Whether or not an executive director would be entitled to retain any related fees will be determined on a case-by-case basis. No such outside appointments currently exist.

Directors' remuneration

Table 1 (Audited information)

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

	Note	2013				2012
		Salary/Fees \$	Bonus ⁽¹⁾ \$	Benefits ⁽²⁾ \$	Total \$	Total \$
Executive directors						
Serge Crasnianski	3	446,000	446,000	7,487	899,487	898,693
Françoise Coutaz-Replan		150,000	75,000	21,500	246,500	245,414
Non-executive directors						
John Lewis	4	120,000	–	–	120,000	120,000
Yitzhak Apeloig	5	35,000	–	–	35,000	5,205
Jean-Marcel Denis	6	40,000	–	–	40,000	6,667
Emmanuel Olympitis		45,000	–	–	45,000	45,000
Dan David	7	–	–	–	–	18,542
		836,000	521,000	28,987	1,385,987	1,339,521

Notes

- Bonuses are those awarded in respect of performance in the financial year.
- Benefits can include private medical insurance, company cars and overseas housing allowances.
- The emoluments of Serge Crasnianski shown above include fees and bonus totalling \$650,000 (2012: \$650,000) payable to a third party in respect of making available the services of Serge Crasnianski to the Company.
- The emoluments of John Lewis shown above include fees of \$90,000 (2012: \$90,000) paid to a third party in respect of making available the services of John Lewis to the Company.
- Yitzhak Apeloig was appointed to the Board on 8 March 2012.
- Jean-Marcel Denis was appointed to the Board on 1 March 2012.
- Dan David died on 6 September 2011.

Remuneration Report continued

Directors' interests

Table 2

Interests in shares

According to the records kept by the Company, the directors had interests in the share capital of the Company as shown below. All interests shown are beneficial. The interests in Ordinary shares at 26 June 2013 are analysed between those registered in their own names, and those registered in other names.

	1 May 2012	30 April 2013	26 June 2013		
			Self	Other	Total
Executive directors					
Serge Crasnianski	79,783,450	79,783,450	63,750	79,719,700	79,783,450
Françoise Coutaz-Replan	80,000	161,800	161,800	-	161,800
Non-executive directors					
John Lewis	-	-	-	-	-
Yitzhak Apeloig	-	-	-	-	-
Jean-Marcel Denis	-	-	-	-	-
Emmanuel Olympitis	45,000	45,000	-	45,000	45,000

Table 3 (Audited information)

Interests in share options

	Date of grant	Number of options				Exercise price	Date from which exercisable	Expiry date
		As at 1 May 2012	Granted during year	Exercised during year	As at 30 April 2013			
Françoise Coutaz-Replan	20 Jan 2010	250,000	-	81,800	168,200	36.67p	20 Jan 2013	19 Jan 2017
	4 Jul 2011	50,000	-	-	50,000	65.25p	4 Jul 2014	3 Jul 2018
	13 Dec 2011	250,000	-	-	250,000	53.50p	13 Dec 2014	12 Dec 2018
	4 Jul 2012	-	232,000	-	232,000	39.17p	4 July 2015	3 Jul 2019

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

No options lapsed during the year to 30 April 2013. The gain on the exercise of share options by Françoise Coutaz-Replan during the year to 30 April 2013, calculated on the difference between the exercise price (36.67p) and the closing market price (74.0p) on the day of exercise, was £30,536 (2012: £10,599). Françoise Coutaz-Replan did not realise this gain in the year to 30 April 2013 as she retained all of the shares issued on exercise of these options.

Options granted under the terms of the Photo-Me Executive Share Option Scheme were issued at nil cost to the option holder

The performance condition that applied to the 20 January 2010 grants was based on the extent to which (if at all) the Company's adjusted EPS for the financial year ending 30 April 2012 ("EPS 2012") reached a sliding scale of challenging EPS targets. No part of an option would become exercisable unless adjusted EPS 2012 was at least 2.4p, in which case an option will become exercisable as follows

EPS 2012	Portion of option that becomes exercisable
2.4p	Up to 25% of salary
3.0p	Up to 50% of salary
3.6p	Up to 75% of salary
Between the above points	On straight-line basis between the above

The options awarded to Françoise Coutaz-Replan in January 2010 did not exceed 75% of her salary. As the EPS actually achieved for the year to 30 April 2012 at 3.97p exceeded 3.6p, all outstanding options granted in January 2010 were capable of being exercised from 20 January 2013

The performance condition that applies to the July and December 2011 grants is based on the extent to which (if at all) the Company's adjusted EPS for the financial year ending 30 April 2014 ("EPS 2014") reaches a sliding scale of challenging EPS targets. No part of an option will become exercisable unless adjusted EPS 2014 is at least 4.3p, in which case the options will become exercisable as follows

EPS 2014	Portion of option that becomes exercisable
4.3p	Up to 25% of salary
4.9p	Up to 50% of salary
5.5p	Up to 75% of salary
6.1p	up to 100% of salary
Between the above points	On straight-line basis between the above

The options awarded in July and December 2011 to Françoise Coutaz-Replan represented 21.75% and 89.17% of her salary, respectively

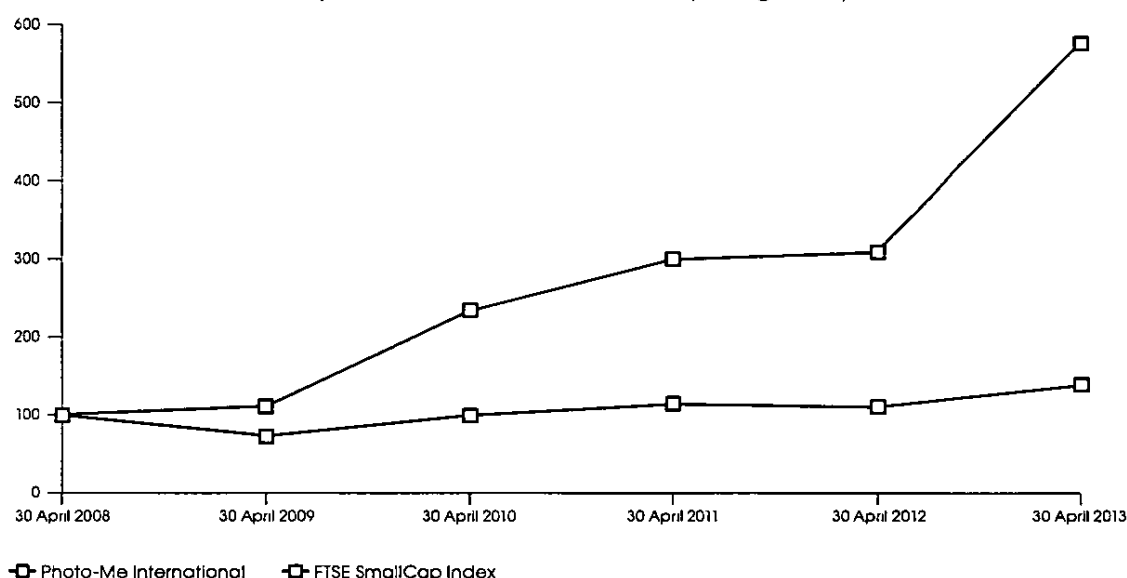
Details of the performance condition attached to the 2012 options are set out in the Share options section earlier in this report

The middle market price of an Ordinary share at the end of the financial year was 77.75p (2012: 45.25p). The highest and lowest middle market prices of an Ordinary share during the year to 30 April 2013 were 82.50p and 36.25p respectively

Remuneration Report continued

Performance graph

The graph below shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE SmallCap Index over the past five years. As the Company has been a constituent of the FTSE SmallCap Index for all of the relevant period, this index is considered an appropriate form of 'broad equity market index' against which the Company's performance should be compared. Performance is measured by Total Shareholder Return (share price growth plus dividends reinvested)



This graph shows the value by 30 April 2013 of £100 invested in Photo-Me International on 30 April 2008 compared with the value of £100 invested in the FTSE SmallCap Index

The other points plotted are the values at intervening financial year-ends

Pension contributions, tables 1 and 3 and related footnotes and paragraphs are audited information

By order of the Board

Emmanuel Olympitis

Chairman of the Remuneration Committee

26 June 2013

Statement of Directors' Responsibilities

in respect of the Annual Report and the financial statements

The directors of the Company who are named on pages 14 and 15 are responsible for preparing the Annual Report, the Report of the Directors and the Group and the Company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for the Group and the Company for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law and have elected to prepare the Company's financial statements on the same basis

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that their financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and as regards the Group's financial statements, Article 4 of the IAS Regulation. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the directors in respect of the annual financial report

Each of the directors of the Company whose names and functions are listed on pages 14 and 15 confirms that, to the best of their knowledge

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Business and Financial Review, which is incorporated into the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

John Lewis
Non-executive Chairman

26 June 2013

Independent Auditor's Report

to the members of Photo-Me International plc

We have audited the financial statements of Photo-Me International plc for the year ended 30 April 2013 set out on pages 36 to 91. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2013 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review

- the directors' statement, set out on page 33, in relation to going concern,
- the part of the Corporate Governance Statement on pages 19 to 22 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board of directors' remuneration

Mark Sheppard

(Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
1 Forest Gate
Brighton Road
Crawley RH11 9PT

26 June 2013

Group Statement of Comprehensive Income

for the year ended 30 April 2013

	Notes	2013 £'000	2012 £'000
Revenue	3	195,590	207,841
Cost of sales		(153,363)	(169,340)
Gross profit		42,227	38,501
Other operating income	4	1,138	1,194
Administrative expenses		(19,221)	(19,765)
Share of post-tax profits from associates	14	55	89
Operating profit	3	24,199	20,019
Finance revenue	6	533	844
Finance cost	6	(426)	(723)
Profit before tax		24,306	20,140
Total tax charge	7	(6,746)	(5,594)
Profit for year	4	17,560	14,546
Other comprehensive income			
Items that are or may subsequently be classified to profit and loss			
Exchange differences arising on translation of foreign operations		(2,161)	(2,841)
Translation reserve taken to income statement on disposal		–	(12)
Total items that are or may subsequently be classified to profit and loss		(2,161)	(2,853)
Items that will not be classified to profit and loss			
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		15	(531)
Deferred tax on actuarial movements		(308)	118
Total items that will not be classified to profit and loss		(293)	(413)
Other comprehensive expense (net of tax)		(2,454)	(3,266)
Total comprehensive income for the year		15,106	11,280
Profit for the year attributable to			
Owners of the Parent		17,405	14,349
Non-controlling interests		155	197
		17,560	14,546
Total comprehensive income attributable to			
Owners of the Parent		14,910	11,175
Non-controlling interests		196	105
		15,106	11,280
Earnings per share			
Basic earnings per share	10	4 78p	3 97p
Diluted earnings per share	10	4 76p	3 95p

The notes on pages 42 to 91 are an integral part of these consolidated financial statements

Statements of Financial Position

as at 30 April 2013

		Group		Company	
	Notes	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Assets					
Non-current assets					
Goodwill	11	9,980	9,895	-	-
Other intangible assets	11	6,735	8,958	21	29
Property, plant and equipment	12	45,334	46,128	7,931	6,687
Investment property	13	723	1,147	-	-
Investments – in associates	14	790	592	440	258
Investments – in subsidiaries	14	-	-	41,409	41,269
Other financial assets – held to maturity		2,447	2,176	958	604
Other financial assets – available-for-sale		81	80	-	-
Deferred tax assets	24	2,157	3,148	2,029	2,784
Trade and other receivables	16	1,691	1,473	71	-
		69,938	73,597	52,859	51,631
Current assets					
Inventories	17	13,241	16,931	892	1,157
Trade and other receivables	16	12,848	14,302	5,627	5,460
Other financial assets – held to maturity		14	213	-	-
Other financial assets – available-for-sale		88	5	2	5
Current tax		30	19	-	-
Cash and cash equivalents	18	59,651	54,605	15,501	10,862
		85,872	86,075	22,022	17,484
Total assets		155,810	159,672	74,881	69,115
Equity					
Share capital	20	1,856	1,850	1,856	1,850
Share premium		6,287	5,873	6,287	5,873
Treasury shares		-	(5,802)	-	(5,802)
Translation & other reserves		16,723	18,925	1,024	885
Retained earnings		72,295	74,994	48,265	46,758
Equity attributable to owners of the Parent		97,161	95,840	57,432	49,564
Non-controlling interests		1,197	1,001	-	-
Total equity		98,358	96,841	57,432	49,564
Liabilities					
Non-current liabilities					
Financial liabilities	21	236	776	-	-
Post-employment benefit obligations	22	3,765	4,285	-	182
Provisions	23	7	77	3	3
Deferred tax liabilities	24	858	2,508	-	-
Trade and other payables	25	4,981	5,646	-	-
		9,847	13,292	3	185
Current liabilities					
Financial liabilities	21	543	4,386	-	-
Provisions	23	8,297	4,957	1	15
Current tax		6,549	5,368	1,077	356
Trade and other payables	25	32,216	34,828	16,368	18,995
		47,605	49,539	17,446	19,366
Total equity and liabilities		155,810	159,672	74,881	69,115

The notes on pages 42 to 91 are an integral part of these consolidated financial statements

The accounts were approved by the Board on 26 June 2013.

Serge Crasnianski
Chief Executive Officer

Frédéric Coutraz Replan
Group Finance Director

Group Statement of Cash Flows

for the year ended 30 April 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit before tax		24,306	20,140
Finance cost		426	723
Finance revenue		(533)	(844)
Operating profit		24,199	20,019
Share of post-tax profit from associates		(55)	(89)
Amortisation of intangible assets		4,285	3,277
Depreciation of property, plant and equipment		16,443	20,737
Profit on sale of property, plant and equipment		(2,698)	(69)
Exchange differences		(126)	(905)
Other items		222	(1,010)
Changes in working capital			
Inventories		3,966	2,650
Trade and other receivables		374	5,540
Trade and other payables		(2,738)	(8,894)
Provisions		2,738	1,170
Cash generated from operations		46,610	42,426
Interest paid		(423)	(649)
Taxation paid		(7,276)	(5,314)
Net cash generated from operating activities		38,911	36,463
Cash flows from investing activities			
Investment in associates		(118)	(62)
Loan advanced to associates		(129)	-
Investment in intangible assets		(1,859)	(2,477)
Proceeds from sale of intangible assets		133	-
Purchase of property, plant and equipment		(17,256)	(15,865)
Proceeds from sale of property, plant and equipment		3,659	866
Purchase of available-for-sale investments		(86)	(387)
Proceeds from sale of available-for-sale investments		-	528
Interest received		533	434
Dividends received from associate		-	101
Net cash utilised in investing activities		(15,123)	(16,862)
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		420	161
Sale of Treasury shares		5,749	-
Repayment of capital element of finance leases		(126)	(643)
Repayment of borrowings		(4,489)	(11,148)
Increase in assets held to maturity		(21)	(433)
Dividends paid to owners of the Parent	9	(19,970)	(7,232)
Dividends paid to non-controlling interests		-	(39)
Net cash utilised in financing activities		(18,437)	(19,334)
Net increase in cash and cash equivalents		5,351	267
Cash and cash equivalents at beginning of year		54,605	56,212
Exchange loss on cash and cash equivalents		(305)	(1,874)
Cash and cash equivalents at end of year	18	59,651	54,605

The notes on pages 42 to 91 are an integral part of these consolidated financial statements

Company Statement of Cash Flows

for the year ended 30 April 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit before tax		24,150	14,100
Finance cost		72	15
Finance revenue		(259)	(290)
Dividends and other items		(18,150)	(10,634)
Operating profit		5,813	3,191
Amortisation of intangible assets		14	21
Depreciation of property, plant and equipment		2,588	3,636
Profit on sale of property, plant and equipment		(71)	(114)
Movements in investment provisions and other items		(31)	15
Changes in working capital			
Inventories		266	576
Trade and other receivables		(195)	(780)
Trade and other payables		(5,783)	(3,197)
Provisions		(196)	(334)
Cash generated from operations		2,405	3,014
Interest paid		(69)	(64)
Taxation paid		(1,051)	(380)
Net cash generated from operating activities		1,285	2,570
Cash flows from investing activities			
Investments in subsidiaries		(1)	–
Investment in associates		(182)	–
Proceeds from disposal of subsidiaries		–	15
Purchase of intangible assets		(7)	(28)
Purchase of property, plant and equipment		(4,167)	(2,596)
Proceeds from sale of property, plant and equipment		404	164
Loans advanced to associates		(129)	–
Repayments of loans advanced to subsidiaries		87	35
Interest received		198	63
Dividends received from associate and subsidiaries		18,150	10,634
Net cash generated from investing activities		14,353	8,287
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		420	161
Sale of Treasury shares		5,749	–
Borrowings from subsidiaries		3,275	–
Repayment of borrowings		–	(6,000)
Repayment of borrowings from subsidiaries		(119)	(58)
Increase in assets held to maturity		(354)	(604)
Dividends paid to owners of the Parent	9	(19,970)	(7,232)
Net cash utilised in financing activities		(10,999)	(13,733)
Net increase/(decrease) in cash and cash equivalents		4,639	(2,876)
Cash and cash equivalents at beginning of year		10,862	13,738
Cash and cash equivalents at end of year	18	15,501	10,862

Group Statement of Changes in Equity

for the year ended 30 April 2013

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
At 1 May 2011	1 844	5 718	(5,802)	2 430	19,256	64,374	87 820	935	88 755
Profit for year	-	-	-	-	-	14,349	14,349	197	14,546
Other comprehensive (expense)/income									
Exchange differences	-	-	-	-	(2 749)	-	(2 749)	(92)	(2 841)
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(12)	-	(12)	-	(12)
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	-	(531)	(531)	-	(531)
Deferred tax on actuarial movements	-	-	-	-	-	118	118	-	118
Total other comprehensive expense	-	-	-	-	(2 761)	(413)	(3 174)	(92)	(3 266)
Total comprehensive (expense)/income for the year	-	-	-	-	(2 761)	13 936	11 175	105	11,280
Transactions with owners of the Parent									
Shares issued in period	6	155	-	-	-	-	161	-	161
Share options	-	-	-	-	-	302	302	-	302
Dividends	-	-	-	-	-	(3,618)	(3 618)	(39)	(3,657)
Total transactions with owners of the Parent	6	155	-	-	-	(3,316)	(3 155)	(39)	(3 194)
At 30 April 2012	1 850	5 873	(5,802)	2 430	16,495	74 994	95 840	1 001	96 841
At 1 May 2012	1,850	5,873	(5,802)	2,430	16,495	74,994	95,840	1,001	96,841
Profit for year	-	-	-	-	-	17,405	17,405	155	17,560
Other comprehensive (expense)/income									
Exchange differences	-	-	-	-	(2,202)	-	(2,202)	41	(2,161)
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	-	15	15	-	15
Deferred tax on actuarial movements	-	-	-	-	-	(308)	(308)	-	(308)
Total other comprehensive (expense)/income	-	-	-	-	(2,202)	(293)	(2,495)	41	(2,454)
Total comprehensive (expense)/income for the year	-	-	-	-	(2,202)	17,112	14,910	196	15,106
Transactions with owners of the Parent									
Shares issued in period	6	362	-	-	-	-	368	-	368
Share options	-	-	-	-	-	212	212	-	212
Sale of Treasury shares	-	52	5,802	-	-	(53)	5,801	-	5,801
Dividends	-	-	-	-	-	(19,970)	(19,970)	-	(19,970)
Total transactions with owners of the Parent	6	414	5,802	-	-	(19,811)	(13,589)	-	(13,589)
At 30 April 2013	1,856	6,287	-	2,430	14,293	72,295	97,161	1,197	98,358

The notes on pages 42 to 91 are an integral part of these consolidated financial statements

Details of share capital and reserves are given in note 20

Company Statement of Changes in Equity

for the year ended 30 April 2013

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2011	1,844	5,718	(5,802)	652	37,206	39,618
Profit for year	-	-	-	-	13,162	13,162
Other comprehensive (expense)/income						
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	(53)	(53)
Deferred tax on actuarial movements	-	-	-	-	(8)	(8)
Total other comprehensive expense	-	-	-	-	(61)	(61)
Total comprehensive income for the year	-	-	-	-	13,101	13,101
Transactions with owners of the Parent						
Shares issued in period	6	155	-	-	-	161
Share options	-	-	-	-	69	69
Capital contribution relating to share-based payments (net of disposals)	-	-	-	233	-	233
Dividends	-	-	-	-	(3,618)	(3,618)
Total transactions with owners of the Parent	6	155	-	233	(3,549)	(3,155)
At 30 April 2012	1,850	5,873	(5,802)	885	46,758	49,564
At 1 May 2012	1,850	5,873	(5,802)	885	46,758	49,564
Profit for year	-	-	-	-	21,888	21,888
Other comprehensive expense						
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	(166)	(166)
Deferred tax on actuarial movements	-	-	-	-	(265)	(265)
Total other comprehensive expense	-	-	-	-	(431)	(431)
Total comprehensive income for the year	-	-	-	-	21,457	21,457
Transactions with owners of the Parent						
Shares issued in period	6	362	-	-	-	368
Share options	-	-	-	-	73	73
Sale of Treasury shares	-	52	5,802	-	(53)	5,801
Capital contribution relating to share-based payments (net of disposals)	-	-	-	139	-	139
Dividends	-	-	-	-	(19,970)	(19,970)
Total transactions with owners of the Parent	6	414	5,802	139	(19,950)	(13,589)
At 30 April 2013	1,856	6,287	-	1,024	48,265	57,432

Details of share capital and reserves are given in note 20

Notes to the Financial Statements

Authorisation of the financial statements and statement of compliance with IFRSs

The Group and the Company financial statements of Photo-Me International plc (the "Company") for the year ended 30 April 2013 were authorised for issue by the directors on 26 June 2013 and the statements of financial position were signed by S Crasnianski, Chief Executive Officer and F Coutaz-Replan, Group Finance Director

The Company is a public limited company incorporated and registered in England and Wales and whose shares are quoted on the London Stock Exchange, under symbol PHTM. The registered number of the Company is 735438 and its registered office is at Church Road, Bookham, Surrey KT23 3EU. The principal activities of the Group are shown on page 16

The Group's and the Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes

1 Accounting policies

The principal accounting policies adopted in the preparation of the Group's consolidated financial statements and the Company's individual financial statements are set out below. The policies have been consistently applied to all of the statements presented. New standards adopted for this financial year are shown in note 2 below

Following the Financial Reporting Council's (FRC) objective in "cutting clutter" from financial statements, the directors have reviewed the notes and disclosures in this year's report and accounts. The aim of this exercise has been to simplify the format and content of certain notes and remove non-material disclosures

1.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for certain derivative financial instruments and available-for-sale financial assets that are measured at fair value

Going concern

The financial statements of the Group and the Company have been prepared on the going concern basis

In reaching this conclusion management has reviewed detailed budgets, which reflect, where applicable, the current economic conditions, with regard to the level of demand for the Group's manufactured products, the level of consumer confidence, the uncertainty of the Euro, and cash flow forecasts for the next financial year and high level projections thereafter. The cash flow projections indicate that the Group and the Company will remain comfortably within their available banking facilities. Additional information on these facilities is provided in note 15

A review of the business activity, future prospects and financial position of the Group are covered in the Chairman's Statement and the Business and Financial Review.

Critical accounting estimates and key judgements

The preparation of the financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the year end and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may ultimately differ from those estimates

The critical accounting policies, which the directors consider are of greater complexity and/or particularly subject to the exercise of judgement, are included in the following notes

Group

- 1) Goodwill and other intangible assets – notes 1.4, 1.8 and 11
- 2) Development costs – notes 1.4 and 11
- 3) Depreciation and impairment of property, plant and equipment – notes 1.5, 12 and 13
- 4) Taxation – notes 1.17, 7 and 24

Company

Critical assumptions and estimates for the preparation of the Company's financial statements, in addition to 3 and 4 above, include

Investments in subsidiaries

Management makes decisions on the carrying value of investments in subsidiaries and whether an impairment is required, as detailed in note 18 and 19 below

1.2 Basis of consolidation

The Group consolidates the financial statements of the Company and all of its subsidiaries, and includes associates under the equity method, as at 30 April each year

Subsidiaries

Subsidiaries are those entities in which the Group has an interest of more than 50% of the voting rights or otherwise has the power to govern the financial and operating policies of that entity so as to obtain benefits from its activities. The principal subsidiaries affecting the results and financial position of the Group are shown in note 29

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date control ceases

The Group uses the acquisition method of accounting to account for business combinations. Acquisition costs for business combinations are expensed as incurred. On an acquisition by acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Assets and liabilities, including any contingent consideration arrangements of the acquired business, and contingent liabilities are valued at fair value as is the equity interest issued by the Group.

The difference between the consideration transferred less the amount of any non-controlling interests in the acquiree and the acquisition date fair value of net assets acquired is recorded as goodwill. In the case of a bargain purchase, when the consideration transferred is less than the net assets of the subsidiary acquired, the difference is recognised as a profit in the statement of comprehensive income.

For acquisitions made before 1 May 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

In respect of acquisitions made prior to IFRS transition, goodwill was included at transition date on the basis of deemed cost, which represented the amount recorded under UK Generally Accepted Accounting Principles (UK GAAP).

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Where necessary, subsidiaries' accounting policies have been changed to ensure consistency with the Group's policies.

Associates

Associates are those entities in which the Group generally has an interest of between 20% and 50% of the voting rights and has significant influence, but not control (or joint control) over the financial and operating policies of the entity. The Group uses the equity method of accounting for associates. The principal associates affecting the results and financial position of the Group are shown in note 29.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognition of its share of those profits only after its share of the profits equals the share of the losses not recognised.

Non-controlling interests

Non-controlling interests represent the portion of results for the period and net assets not held by the Group and are presented separately within the statement of comprehensive income and the statement of financial position. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the Financial Statements continued

1 Accounting policies continued

1.3 Foreign currency translation

The consolidated financial statements and the Company's own financial statements are presented in Sterling, the functional and presentational currency of the Parent Company and all values are shown in £'000 except where indicated

Transactions in foreign currencies are translated into the respective functional currencies of the Group's subsidiaries at the exchange rate ruling on the date the transaction is recorded. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates ruling at 30 April. Exchange gains and losses resulting from the above translation are reflected in the income statement, except where they qualify as cash flow hedges and are reflected in equity

Income statements of overseas entities are translated into Sterling, at weighted average rates of exchange, as a reasonable approximation to actual exchange rates at the date of the transaction and their balance sheets are translated at the exchange rate ruling at 30 April. Exchange differences arising on the translation of opening net assets are taken to equity, as is the exchange difference on the translation of the income statement between average and closing exchange rates. Such cumulative exchange differences are released to the income statement on disposal

Goodwill arising on the acquisition of subsidiaries and associates post 1 May 2004 is treated as a foreign currency asset and translated at the rate ruling at 30 April. Goodwill arising on acquisitions before 1 May 2004 was treated as a Sterling amount and for practical reasons cannot be restated as a currency amount

1.4 Intangible assets

Goodwill

Goodwill represents the excess of cost of an acquisition of a subsidiary or associate over the fair value of the Group's share of net identifiable assets at the date of acquisition. Goodwill on acquisition of associates is included in investment in associates.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amounts may be impaired, and is carried at cost less any impairment. On disposals goodwill is included in the calculation of gains or losses on the sale of the previously acquired entity

Goodwill relating to previous acquisitions (pre-1999) was charged under UK GAAP to equity and is not included in the gain or loss on sale of the previously acquired entity to which it relates

For the purposes of impairment testing, goodwill is allocated to cash-generating units. Each of these cash-generating units represents the Group's investment in each region of operation.

Research and development expenditure

Research expenditure is expensed as incurred. Costs incurred in developing projects are capitalised as intangible assets when it is considered that the commercial viability of the project will be a success based on discounted expected cash flows, and the costs can be reliably measured. Other development costs are expensed and are not recognised as assets

Other intangible assets

Intangible assets (including research and development) acquired as part of a business combination are capitalised at fair value at the date of acquisition. Other intangibles are capitalised at cost.

The policies applied to the Group's intangible assets are summarised as follows:

	Research and development costs	Software	Customer related	Patents and licences	Other
Useful lives	Finite	Finite	Finite	Finite	Indefinite
Amortisation	Straight-line basis, with a maximum life of four years from commencement of commercial production, with no residual value	Straight-line basis, with a maximum life of three years, with no residual value	Straight-line basis, with a maximum life of 20 years, with no residual value. The majority of customer related intangible assets are depreciated over their useful lives of between three and five years.	Straight-line basis, with a maximum life of 20 years, with no residual value. Most patents are depreciated over a period of 10 years or less.	Not amortised, but subject to impairment testing.
Internally generated or acquired	Internally generated	Acquired	Acquired	Acquired	Acquired

1.5 Property, plant and equipment

Property, plant and equipment is shown at cost, less accumulated depreciation and any impairment.

Subsequent expenditure on property, plant and equipment is capitalised, either as a separate asset, or included in the cost of the asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The carrying amount of any parts of the assets that are replaced are derecognised. All other costs are recognised in the income statement as an expense as incurred.

Freehold land is not depreciated. Other assets are depreciated on a straight-line basis, or occasionally on a reducing balance basis, to reduce cost to the estimated residual value over the estimated useful life of the asset at the following rates:

Freehold buildings	2% – 5% straight-line
Leasehold improvements	over the life of the lease on a straight-line basis
Photobooths and vending machines	10% – 33 33% straight-line
Plant, machinery, furniture, fixtures and motor vehicles	12 5% – 33 33% straight-line or reducing balance
Capitalised finance lease assets	over the shorter of the life of the asset or the life of the lease

The assets' residual values and useful lives are reviewed at each year end and adjusted, if appropriate.

1.6 Investment property

Certain of the Group's properties are classified as investment properties, being held for long-term investment and to earn rental income. Investment properties are stated at cost and the building element is depreciated to reduce cost to its estimated residual value at rates between 3 33% and 8 33% on a straight-line basis.

1.7 Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of lease payments discounted at the interest rate implicit in the lease. The interest element in the lease payment is expensed at a constant interest rate, whereas the obligation net of the interest element is included in other payables.

All other leases are classified as operating leases and rentals are expensed over the period of the lease on a straight-line basis.

Notes to the Financial Statements continued

1 Accounting policies continued

1.8 Impairment

For goodwill and intangible assets with indefinite lives, the carrying value is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amounts may be impaired.

Other intangible assets and property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of the asset is higher than the recoverable amount of the asset an impairment loss is recognised. In carrying out such impairment evaluations the recoverable amount is the higher of the asset's value in use or its fair value less costs to sell. Assets that do not generate largely independent cash inflows are grouped at the lowest level for which separate identifiable cash flows exist (cash-generating units) and the recoverable amount is determined for the cash-generating unit. If necessary, the carrying value is reduced by charging an impairment loss in the income statement.

Reversal of impairment

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised. No impairment loss is reversed for goodwill.

1.9 Financial assets

Group

The Group classifies its financial assets on initial recognition in the following categories. The classification depends on the purpose for which the financial assets were acquired.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Such financial assets arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in trade and other receivables in the statement of financial position. These assets are held at amortised cost using the effective interest rate method.

(ii) Held to maturity financial assets

These financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. These assets are held at amortised costs using the effective interest rate method.

Included within these amounts are cash deposits that are subject to restrictions and are not freely available for use by the Group until a future date.

(iii) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of trading or if so designated by management. Assets held in this category are classified as current assets if expected to be settled within one year, otherwise they are classified as non-current. Financial assets in this category are initially recorded and subsequently valued at fair value, with changes in fair value recognised in the income statement.

(iv) Available-for-sale financial assets

Financial assets not classified in any of the above categories are shown as available-for-sale financial assets and are shown as non-current assets, unless management intends to sell the financial assets within 12 months of the end of the financial year. These assets are initially recognised at cost and are subsequently carried at fair value.

(v) Recognition and measurement

For investments designated as financial assets at fair value through profit or loss or available-for-sale financial assets the fair values of quoted investments are based on current bid prices. For unlisted investments the Group uses various valuation techniques to determine fair values, including at cost less any provision for impairment, where appropriate.

At each year end date the Group assesses whether there is objective evidence that a financial asset, or group of financial assets, has become impaired. Any impairment loss so recognised is reflected in the income statement. Indications of impairment may include a reduction in the quoted price, a reduction in the underlying profitability of the investment and other factors indicating that the value of the investment has fallen.

Company

In the Company statement of financial position, investments in subsidiaries and associates are stated at cost less impairment. The Company reviews, at least annually, the carrying value of investments and performs an impairment exercise.

An impairment charge is made where there is evidence that the carrying value exceeds the future cash flows of the investment or where its carrying amount will not be recovered from sale.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes costs incurred in bringing inventories to their present location and condition. The cost of work-in-progress and finished goods includes an appropriate proportion of production overheads.

Raw materials and consumables are valued on a first-in first-out basis or on an average cost basis where average cost is not significantly different to first-in first-out due to the fast turnaround of consumables. The Group uses standard costs to value inventory and these standard costs are regularly updated to reflect current prices.

1.11 Trade receivables

Trade receivables are stated at fair value and subsequently measured at amortised cost using the effective interest method net of impairment provisions. An impairment provision is reflected in the income statement if there is objective evidence that the Group will not be able to recover the full amount of the receivable. The impairment is calculated as the difference between the carrying value of the receivable and the present value of the expected future cash flows, discounted at the original interest rate. Such factors as the debtor experiencing significant financial difficulties, bankruptcy, financial reorganisation or default on payments are indicators that the receivable is impaired.

1.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statements of financial position at cost. Bank overdrafts are included within borrowings in current liabilities in the statements of financial position. For the purposes of the statements of cash flows, cash and cash equivalents comprises cash on hand, unrestricted deposits held at banks with less than three months' notice and other highly liquid investments with an original maturity of three months or less, less bank overdrafts.

1.13 Share capital

Ordinary shares of the Company are classified as equity.

Where the Company acquires its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax relief), is deducted from equity attributable to the Company's equity shareholders until the shares are either cancelled or subsequently reissued. The amount is shown in equity as treasury shares. Where such Ordinary shares (the treasury shares) are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

1.14 Borrowings

Borrowings are recorded initially at the fair value of the consideration received net of directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. This method includes any initial issue costs and discounts or premiums on settlement. Finance costs on the borrowings are charged to the income statement under the effective interest rate method.

Financial liabilities are derecognised when the obligation under the liability is cancelled, discharged or has expired.

Notes to the Financial Statements continued

1 Accounting policies continued

1.15 Employee benefits

Pension obligations

Group companies have various pension schemes in accordance with local conditions and practices in the countries in which they operate

The Company operates a defined benefit pension scheme, which is closed to new entrants, with contributions made by employees and the Company. The defined benefits are based upon the employee's length of service and final pensionable salary. The Company also operates a defined contribution pension scheme.

The Group also has defined benefit pension schemes as noted in note 22.

The liability in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the end of the financial year minus the fair value of the plan assets, measured under the projected unit credit actuarial valuation method. Independent qualified actuaries calculate the obligation for defined benefit pension plans. Independent qualified actuaries formally value the pension funds in accordance with local legislation and these valuations are updated as at each year end.

The Group has adopted the provisions of IAS 19, Employee Benefits and where applicable IFRIC 14 and shows actuarial gains and losses in the period in which they arise, in other comprehensive income.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Other post-employment benefits

In addition to the pension schemes noted above, certain Group companies are required to make provisions for employee retirements. These provisions are based on local circumstances, length of service and salaries of the employees concerned. They are included in post-employment benefit obligations, and shown in note 22 as other retirement provisions.

Equity compensation benefits

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date of grant, determined using the Black-Scholes model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group and based on the best available estimate, at that date, of the number of equity instruments that will ultimately vest. The income statement charge or credit for the period represents the movement in the cumulative expense recognised as at the beginning and end of the period. No expense is recognised for awards that do not ultimately vest. The Group does not have options with market conditions.

On exercise of the option the proceeds received are allocated to share capital (nominal value of shares) and share premium.

The grant by the Company of options over its equity instruments (Ordinary shares) to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to the investment in subsidiary undertakings with a corresponding credit to other reserves in equity.

Termination benefits

Termination benefits are recognised in the income statement in the period when the Group is demonstrably committed to the termination of employment or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

1.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are discounted where the effect of the time value of money is material.

1 17 Taxation

Tax expense for the current period comprises current and deferred tax and is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or equity. The current tax charge is calculated on the basis of the laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates.

Deferred tax is provided in full on temporary differences arising between the tax base of assets and liabilities and their carrying value in the accounts.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in future periods in which the temporary difference will reverse, based on tax rates and laws enacted or substantively enacted at the year end.

Deferred tax assets are recognised to the extent that it is probable that the future taxable profit, against which the deductible temporary differences can be utilised, will be available.

Deferred tax is provided, or an asset recognised, on taxable temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the year end.

1 18 Trade and other payables

Trade payables are initially recorded at fair value and subsequently recorded at amortised cost using the effective interest rate method.

1.19 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker as required by IFRS 8 Operating Segments. Details of the segments are shown in note 3.

1 20 Revenue recognition

Revenue from the operation of photobooths and other operating equipment is the cash received, net of value added tax and refunds.

Revenue from the sale of goods is recognised upon delivery of products and acceptance, if applicable, by the customer. Revenue is stated net of value added tax and discounts.

Revenue from the sale of services, including maintenance contracts and royalty income, is recognised evenly over the period in which the service/licence is provided to the customer.

Rental income from investment property and other assets under operating lease contracts is accounted for on a straight-line basis over the lease term and is included in other operating income.

Dividend income is recognised when the right to receive payment is established.

1 21 Own work capitalised

Some of the Group's subsidiaries manufacture vending equipment, which is then sold to the Group's Operations companies and capitalised by them as fixed assets. The amount capitalised includes direct costs associated with the manufacture of such items together with applicable overheads, but excluding general overheads and administration costs. Profits made by the selling company are eliminated on consolidation.

1 22 Dividends

Dividends to the Company's shareholders are recognised as a liability and deducted from shareholders' equity in the period in which the shareholders' right to receive payment is established.

1.23 Financial guarantee contracts

Where the Company enters into financial guarantee contracts to warranty the indebtedness of one company within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee (note 27).

Notes to the Financial Statements continued

2 New standards, amendments and interpretations

The following standards have been adopted for the first time in these financial statements

Presentation of Items of Other Comprehensive Income

The Group has adopted early the Amendments to IAS 1 Presentation of Other Items of Other Comprehensive Income (mandatory for periods commencing on or after 1 July 2012). The effect of early adoption of this amendment is to present the items of other comprehensive income that may be recycled to profit or loss in the future (if certain conditions are met) separately from those that would never be recycled to profit or loss. Consequently, as the Group presents items of other comprehensive income before related income tax effects, the aggregated income tax amount has been allocated between those sections. The comparatives have been presented on the same basis.

Future changes to accounting policies

The following adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

International Financial Reporting Standards (IFRS)

- IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement

Amendments to existing standards

- Amendment to IAS 32 Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendment to IFRS 7 Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 28 Investments in Associates
- Amendment to IAS 19 Employee Benefits
- Amendment to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities
- Annual Improvements to IFRS 2009-2011 Cycle – Improvements to IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments Presentation and IAS 34 Interim Financial Reporting

IFRS 10, IFRS 11 and IFRS 12 are part of a new suite of standards on consolidation and related standards, replacing existing standards on accounting for subsidiaries and joint ventures (now joint arrangements) and making limited amendments in relation to associates. IFRS 13 will replace existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a fair value framework and fair value disclosures.

3 Segmental analysis

IFRS 8 requires operating segments to be identified, based on information presented to the Chief Operating Decision Maker in order to allocate resources to the segments and monitor performance. The Group has identified two segments as set out below:

(i) Operations comprises the operation of unattended vending equipment, in particular photobooths, digital printing kiosks, amusement machines and business service equipment.

(ii) Sales & Servicing comprises the development, manufacture, sale and after-sale servicing of this operations equipment and a range of photo-processing equipment, together with the servicing of other third party equipment.

The Group monitors performance at the adjusted operating profit level before special items, interest and taxation.

In accordance with IFRS 8, no segment information is provided for assets and liabilities in the disclosures below, as this information is not regularly provided to the Chief Operating Decision Maker.

The segment results are as follows

	Operations £'000	Sales & Servicing £'000	Total £'000
2013			
Total revenue	173,217	47,092	220,309
Inter-segment revenue	–	(24,719)	(24,719)
Revenue from external customers	173,217	22,373	195,590
EBITDA	43,846	3,723	47,569
Depreciation and amortisation	(15,779)	(4,361)	(20,140)
Operating profit excluding associates	28,067	(638)	27,429
Share of post-tax profit from associates			55
Corporate costs excluding depreciation and amortisation			(2,697)
Corporate depreciation and amortisation			(588)
Operating profit			24,199
Finance revenue			533
Finance costs			(426)
Profit before tax			24,306
Tax			(6,746)
Profit for year			17,560
Capital expenditure	17,768	1,206	18,974
Corporate capital expenditure			205
Total capital expenditure			19,179
2012			
Total revenue	178,063	51,546	229,609
Inter-segment revenue	–	(21,768)	(21,768)
Revenue from external customers	178,063	29,778	207,841
EBITDA	44,994	997	45,991
Depreciation and amortisation	(19,890)	(3,511)	(23,401)
Operating profit excluding associates	25,104	(2,514)	22,590
Share of post-tax profit from associates			89
Corporate costs excluding depreciation and amortisation			(2,047)
Corporate depreciation and amortisation			(613)
Operating profit			20,019
Finance revenue			844
Finance costs			(723)
Profit before tax			20,140
Tax			(5,594)
Profit for year			14,546
Capital expenditure	15,943	2,337	18,280
Corporate capital expenditure			71
Total capital expenditure			18,351

Inter-segment revenue relates to the sale of equipment, spare parts and servicing by Sales & Servicing to Operations

The Parent Company is domiciled in the UK. The total revenue from external customers in the UK is £42,408,000 (2012: £44,807,000) and the total revenue from other countries is £153,182,000 (2012: £163,034,000), comprising Asia £45,744,000 (2012: £46,172,000) and Continental Europe and Ireland £107,438,000 (2012: £116,862,000). Operations revenue is generated from sited operating equipment, with the three main countries being France, Japan and the United Kingdom. Sales & Servicing revenue mainly originates in France with customers worldwide.

Notes to the Financial Statements continued

4 Profit for the year

Costs and overhead items charged/(credited) in arriving at profit for the year, include the following

	2013 £'000	2012 £'000
Amortisation, depreciation and impairment		
Amortisation of previously capitalised research and development expenditure	4,107	3,112
Amortisation of intangible assets other than research and development	178	165
	4,285	3,277
Depreciation of property, plant and equipment		
- owned	16,306	20,370
- leased	137	367
	16,443	20,737

Amortisation of intangible assets (excluding capitalised research and development expenditure) is reflected in the income statement within cost of sales £101,000 (2012 £88,000) and administrative expenses £77,000 (2012 £77,000)

Amortisation and impairment of capitalised research and development expenditure is reflected in cost of sales

	2013 £'000	2012 £'000
Operating lease rentals		
- property	9,995	11,134
- plant and equipment	1,206	1,081
	11,201	12,215
Inventory cost		
Cost of inventories recognised as an expense	24,804	26,064
Inventory provision reversed	(444)	(466)
	24,360	25,598

Inventory provision reversed relates to provisions which have been utilised during the year

	2013 £'000	2012 £'000
Other items		
Research and development current year expenditure not capitalised	387	1,478
Own work capitalised	(3,056)	(2,507)
Trade receivables impairment (note 15)	133	771
Net foreign exchange gains	(686)	(370)
Gains on sale of property, plant and equipment	(2,698)	(69)
Direct expenses for investment properties generating rental income	74	65

Audit and non-audit services

The following fees for audit and non-audit services were paid or are payable to the Company's auditor, KPMG Audit Plc and its associates

	2013 £'000	2012 £'000
Audit services		
Audit of these financial statements	157	153
Fees payable to the Company's auditor and its associates for other services		
- audit of the Company's subsidiaries pursuant to legislation	175	159
- other services	37	57
	369	369

The audit fee of the Company was £57,000 (2012 £55,000)

In order to maintain the independence of the external auditors, the Board has determined policies as to what non-audit services can be provided by the Company's external auditors and the approval processes related thereto. This function is performed by the Audit Committee. Such services will only be approved if there are clear efficiencies and added value benefits to the Company. Fees paid to KPMG Audit Plc and its associates for non-audit services to the Company itself are not disclosed individually, as they are included above.

In addition to the audit fees payable to KPMG and its associates, certain Group subsidiaries are audited by other firms. The following shows the fees payable to those firms

	2013 £'000	2012 £'000
Audit fees	64	94
Other services	1	4
	65	98

Summary

Total fees paid or payable to all of the Group's auditors for audit and other services were £434,000 (2012 £467,000)

Other operating income

Other operating income of £1,138,000 (2012 £1,194,000) principally includes rental income from investment property (note 13).

Notes to the Financial Statements continued

5 Employees

Staff costs during the year amounted to

	2013 £'000	2012 £'000
Wages and salaries	36,875	40,651
Social security costs	8,052	9,320
Share options granted to directors and employees	212	302
Other pension costs		
– defined benefit schemes	140	116
– defined contribution schemes	183	206
Other post-retirement costs	222	382
Staff costs of employees and executive directors	45,684	50,977
Non-executive directors including social security costs	253	200
	45,937	51,177

Included above are the following costs relating to the Group's key management personnel who comprise the directors of the Parent Company

Directors' emoluments

Full details of directors' remuneration and share options are given in the Remuneration Report on pages 26 to 32 and are summarised as follows

	2013 £'000	2012 £'000
Directors' emoluments	1,386	1,340
Number of directors accruing benefits under defined contribution schemes	1	1

Included in the directors' emoluments costs are bonuses totalling £521,000 (2012 £521,000)

The average number of employees during the year (including executive directors) comprised

	2013	2012
Full-time	954	981
Part-time	152	147
	1,106	1,128
Operations	954	958
Sales & Servicing	139	158
Corporate	13	12
	1,106	1,128

6 Finance revenue and costs

	2013 £'000	2012 £'000
Finance revenue		
Bank interest	482	362
Other assets at amortised cost	51	72
Interest income from financial assets not at fair value through profit or loss	533	434
Fair value movements on derivatives	-	210
Interest received	533	644
Other financial income	-	18
Profit on sale of investments	-	155
Profit on sale of Group undertakings	-	27
	533	844
Finance costs		
Bank loans and overdrafts at amortised cost	387	621
Other loans at amortised cost	36	24
Finance leases	-	5
Other finance charges	3	73
	426	723

The profit on sale of Group undertakings has arisen due to the recycling of accumulated exchange differences through the income statement

Notes to the Financial Statements continued

7 Taxation expense

Tax charges/(credits) in the statement of comprehensive income

	2013 £'000	2012 £'000
Taxation		
Current taxation		
UK corporation tax		
– current tax	1,491	742
– prior years	(52)	25
	1,439	767
Overseas taxation		
– current year	7,597	5,834
– prior years	(1,451)	(236)
	6,146	5,598
Total current taxation	7,585	6,365
Deferred taxation		
Origination and reversal of temporary differences		
– current year – UK	228	106
– overseas	(1,206)	(382)
Adjustments to estimated recoverable amounts of deferred tax assets arising in previous years		
– UK	144	(221)
– Overseas	(94)	(271)
Impact of change in rate	89	(3)
Total deferred tax	(839)	(771)
Tax charge in the statement of comprehensive income	6,746	5,594

Tax relating to items charged/(credited) to other components of comprehensive income

	2013 £'000	2012 £'000
Deferred tax		
Actuarial gains and losses on pension schemes	308	(118)
Tax credit in other comprehensive income	308	(118)

Reconciliation of the total tax charge

The difference between the Group tax charge and the standard UK corporation tax rate of 23.9% (2012 25.8%) is explained below

	2013 £'000	2012 £'000
Profit before tax	24,306	20,140
Tax using the UK corporation tax rate of 23.9% (2012 25.8%)	5,814	5,204
Effect of		
- non-taxable items	611	(91)
- overseas tax rates	1,756	1,218
- losses not recognised in deferred tax incurred/(relieved)	18	(34)
- adjustments to tax in respect of prior years	(1,453)	(703)
Total tax charge	6,746	5,594
Effective tax rate	27.8%	27.8%

8 Profits attributable to members of the Parent Company

The profit for the year, after tax, dealt with in the financial statements of the Parent Company is £21,888,000 (2012: £13,162,000), including dividends received from subsidiaries

9 Dividends paid and proposed

	2013		2012	
	Pence per share	£'000	Pence per share	£'000
Interim				
2012 paid 8 May 2012	1.25	4,529		
2011 paid 6 May 2011			1.00	3,614
Final				
2012 paid 7 November 2012	1.25	4,531		
2011 paid 7 November 2011			1.00	3,618
Special				
Paid 8 March 2013	3.00	10,910		
	5.50	19,970	2.00	7,232

Year ended 30 April 2013 – Proposed dividends not yet paid

The Board declared an interim dividend of 1.50p per share for the year ending 30 April 2013, amounting to £5,586,000 which was paid on 7 May 2013. The Board propose a final dividend for the year ended 30 April 2013 of 1.50 per share, which is subject to shareholder approval at the Annual General Meeting to be held on 12 September 2013. If approved, the dividend will be paid on 7 November 2013.

Year ended 30 April 2012 – Proposed dividends not yet paid

The Board declared an interim dividend of 1.25p per share for the year ending 30 April 2012, amounting to £4,529,000, which was paid on 8 May 2012. The Board proposed a final dividend for the year ended 30 April 2012 of 1.25p per share amounting to £4,531,000, which was paid on 7 November 2012.

Notes to the Financial Statements continued

10 Earnings per share

Basic earnings per share amounts are calculated by dividing net earnings attributable to Ordinary shareholders of the Parent of £17,405,000 (2012: £14,349,000) by the weighted average number of Ordinary shares in issue during the year, excluding those held as treasury shares

Diluted earnings per share amounts are calculated by dividing the net earnings attributable to Ordinary shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would be issued on conversion of all the dilutive potential Ordinary shares into 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 20.

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

	2013			2012		
	Earnings £'000	Weighted average number of shares '000	Earnings per share pence	Earnings £'000	Weighted average number of shares '000	Earnings per share pence
Basic earnings per share	17,405	364,066	4.78	14,349	361,840	3.97
Effect of dilutive securities: options	-	1,566	(0.02)	-	1,920	(0.02)
Diluted earnings per share	17,405	365,632	4.76	14,349	363,760	3.95

Potential Ordinary shares are treated as dilutive when and only when their conversion to Ordinary shares would decrease basic earnings per share or increase loss per share from continuing operations

11 Goodwill and other intangible assets

Goodwill

Group

	£'000
Cost	
At 1 May 2011	10,394
Exchange differences	(199)
At 30 April 2012	10,195
Exchange differences	86
At 30 April 2013	10,281
Impairment charges	
At 1 May 2011	301
Exchange differences	(1)
At 30 April 2012	300
Exchange differences	1
At 30 April 2013	301
Net book value	
At 30 April 2013	9,980
At 30 April 2012	9,895
At 1 May 2011	10,093

Company

The Company has no goodwill

Impairment of goodwill

Goodwill acquired through business combinations has been allocated between the two reportable segments

– Operations activity

– Sales & Servicing activity

	Operations		Sales & Servicing		Total	
	2013	2012	2013	2012	2013	2012
Carrying amount	£'000	£'000	£'000	£'000	£'000	£'000
Goodwill	9,663	9,578	317	317	9,980	9,895

Goodwill has been allocated for impairment testing purposes to six (2012: six) cash-generating units (CGUs)

	Operations		Sales & Servicing		Total	
	2013	2012	2013	2012	2013	2012
Carrying amount	£'000	£'000	£'000	£'000	£'000	£'000
UK & Ireland						
Operations 1	154	154	–	–	154	154
Operations 2	14	14	–	–	14	14
Sales & Servicing 1	–	–	317	317	317	317
Total UK & Ireland	168	168	317	317	485	485
Continental Europe						
Operations 1	1,947	1,873	–	–	1,947	1,873
Operations 2	303	292	–	–	303	292
Total Continental Europe	2,250	2,165	–	–	2,250	2,165
Asia						
Operations 1	7,245	7,245	–	–	7,245	7,245
Total Asia	7,245	7,245	–	–	7,245	7,245
Total	9,663	9,578	317	317	9,980	9,895

The Group tests annually, for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of all CGUs has been determined on a value in use basis.

Value in use was determined by discounting the future cash flows of the CGU, for a finite period of five years, based on actual operating results, budgets and economic market research.

Key assumptions

Growth rate 3% (2012: 3%)

The growth rate has been determined based on expected annual growth in EBITDA for each CGU and takes into account revenue, volumes, selling prices and operating costs. It is based on past experience and expected future developments in markets and operations.

Discount rate 9–11% (2012: 7–12%)

The pre-tax discount rates applied to the cash flow forecasts for the CGUs are derived from the pre-tax weighted average cost of capital for the Group adjusted for economic and political risks for the specific country concerned.

The rates used are France 11% (2012: 11%), Japan 10% (2012: 9%), Germany 9% (2012: 9%) and Ireland 10% (2012: 12%). The Board is confident, overall, that these discount rates reflect the circumstances in each region, and are in accordance with IAS 36.

Sensitivity to changes in assumptions

There is significant headroom for each CGU and management believes that no reasonable possible change in any of the above assumptions would cause the carrying value of those CGUs to exceed their recoverable amount. Consequently there were no impairment losses recognised in 2013 (2012: none).

Notes to the Financial Statements continued

11 Goodwill and other intangible assets continued

Other intangible assets

Group

	Research and development costs £'000	Other intangible assets £'000	Total £'000
Cost			
At 1 May 2011	25,218	5,501	30,719
Exchange differences	(1,954)	97	(1,857)
Additions			
– internally generated	2,169	–	2,169
– external	–	308	308
Disposals	(853)	(101)	(954)
At 30 April 2012	24,580	5,805	30,385
Exchange differences	754	106	860
Additions			
– internally generated	1,058	–	1,058
– external	–	801	801
Disposals	(539)	(55)	(594)
At 30 April 2013	25,853	6,657	32,510
Amortisation			
At 1 May 2011	17,289	3,062	20,351
Exchange differences	(1,531)	283	(1,248)
Provided during year	3,112	165	3,277
Disposals	(853)	(100)	(953)
At 30 April 2012	18,017	3,410	21,427
Exchange differences	592	29	621
Provided during year	4,107	178	4,285
Disposals	(539)	(19)	(558)
At 30 April 2013	22,177	3,598	25,775
Net book value			
At 30 April 2013	3,676	3,059	6,735
At 30 April 2012	6,563	2,395	8,958
At 1 May 2011	7,929	2,439	10,368

Capitalised research and development expenditure is amortised over a maximum of four years, with no residual value

Included in the net book value of other intangible assets is £2,119,000 for droit du bail (2012 £2,041,000 and 2011 £2,101,000)

Droit du bail, are payments made for the right to occupy a space to site vending equipment and are allocated to the Operations segment. The Group has control over the use of these rights and has classified them as having an indefinite life. Although the Group has no intention of selling these rights, there is a value attached to them. These assets are based on cost, being the payments made for the right to occupy the space. In determining fair values of such assets for the purpose of impairment testing, the Group has based its assumptions on current prices paid for such assets (using actual amounts paid by the Company and/or management estimates for amounts paid by third parties) and, where the right has been held for a number of years, the expected sales price, less costs to sell. The carrying amount of these intangible assets has been reviewed on an individual basis for impairment testing. Management believes that no reasonable possible change in the basis of this assessment would cause the carrying value of these rights to exceed their recoverable value.

Company

The Company's only intangible asset is software

12 Property, plant and equipment Group

	Land and buildings £'000	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost				
At 1 May 2011	11,109	183,515	25,837	220,461
Exchange differences	(423)	(4,213)	(1,871)	(6,507)
Additions				
– internal	–	2,507	–	2,507
– external	33	12,525	809	13,367
– subsidiaries acquired	–	760	–	760
Disposals	(19)	(20,268)	(1,111)	(21,398)
At 30 April 2012	10,700	174,826	23,664	209,190
Exchange differences	(55)	(4,115)	703	(3,467)
Additions				
– Internal	–	3,056	–	3,056
– external	150	13,325	789	14,264
Disposals	(2,262)	(11,983)	(437)	(14,682)
At 30 April 2013	8,533	175,109	24,719	208,361
Depreciation				
At 1 May 2011	7,957	139,184	22,473	169,614
Exchange differences	(346)	(4,128)	(1,735)	(6,209)
Provided during year	233	18,892	1,131	20,256
Disposals	(18)	(19,590)	(991)	(20,599)
At 30 April 2012	7,826	134,358	20,878	163,062
Exchange differences	(47)	(3,005)	649	(2,403)
Provided during year	194	14,914	884	15,992
Disposals	(2,034)	(11,238)	(352)	(13,624)
At 30 April 2013	5,939	135,029	22,059	163,027
Net book value				
At 30 April 2013	2,594	40,080	2,660	45,334
At 30 April 2012	2,874	40,468	2,786	46,128
At 1 May 2011	3,152	44,331	3,364	50,847

Internal additions for photoboosts and vending machines of £3,056,000 (2012: £2,507,000) relate to own work capitalised, being equipment manufactured by the Group's Sales & Servicing division and capitalised by the Group's Operations division

Included in the above are assets held under finance leases, as follows

	2013		2012	
	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000
Net book value	–	137	26	199
Additions/reclassifications	–	64	–	–
Depreciation charge	26	111	248	119

Notes to the Financial Statements continued

12 Property, plant and equipment continued Company

	Land and buildings £'000	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost				
At 1 May 2011	2,480	44,918	1,401	48,799
Additions				
– internal	–	2,433	–	2,433
– external	24	116	23	163
Disposals				
– internal	–	(602)	(3)	(605)
– external	–	(6,308)	(62)	(6,370)
At 30 April 2012	2,504	40,557	1,359	44,420
Additions				
– internal	–	3,810	–	3,810
– external	142	147	68	357
Disposals				
– internal	–	(574)	–	(574)
– external	–	(4,964)	(62)	(5,026)
At 30 April 2013	2,646	38,976	1,365	42,987
Depreciation				
At 1 May 2011	1,483	38,435	1,104	41,022
Provided during year	59	3,425	152	3,636
Disposals				
– internal	–	(586)	(2)	(588)
– external	–	(6,280)	(57)	(6,337)
At 30 April 2012	1,542	34,994	1,197	37,733
Provided during year	59	2,413	116	2,588
Disposals				
– internal	–	(500)	–	(500)
– external	–	(4,706)	(59)	(4,765)
At 30 April 2013	1,601	32,201	1,254	35,056
Net book value				
At 30 April 2013	1,045	6,775	111	7,931
At 30 April 2012	962	5,563	162	6,687
At 1 May 2011	997	6,483	297	7,777

Internal additions for photobooths and vending machines of £3,810,000 (2012: £2,433,000) relates to new equipment manufactured by the Group's Sales & Servicing division and equipment previously capitalised by the Group's subsidiaries. Internal disposals relates to disposals to subsidiary companies.

13 Investment property

Group

	£'000
Cost	
At 1 May 2011	13,339
Exchange differences	(1,115)
At 30 April 2012	12,224
Exchange differences	479
At 30 April 2013	12,703
Depreciation	
At 1 May 2011	11,590
Exchange differences	(994)
Depreciation provided during year	481
At 30 April 2012	11,077
Exchange differences	452
Depreciation provided during year	451
At 30 April 2013	11,980
Net book value	
At 30 April 2013	723
At 30 April 2012	1,147
At 1 May 2011	1,749

The investment property is freehold and is stated at cost

The property was valued by an independent professional valuer in October 2010, with a value of €12.2m based on a market value for similar properties, and on a rental stream valuation of €12.6m

Since this valuation was performed, the Group has sold the rights to the future rental stream on the property for the period up to April 2019. Funds received in the year ended 30 April 2011 on the original rental stream sale amounted to €9.2m (£8.2m). The associated liability is reflected in accruals and deferred income, note 25.

The sale of the future rental income has impacted the value of the property. The Board believes at 30 April 2013 that net of the remaining deferred rental income creditor of €7.1m the property continues to be worth more than its £0.7m net book value. The valuations for future years are expected to increase due to the passage of time and the unwinding of the related deferred rental income creditor.

Rental income from the investment property was £938,000 (2012: £1,019,000) (note 4) and finance costs were £92,000 (2012: £185,000).

The Group will continue to act as a cash collection agent for the underlying lease agreement.

The non-cancellable future minimum rentals receivable on this basis are as follows

	2013 £'000	2012 £'000
No later than one year	999	1,074
After one year but no more than five years	3,997	4,295
After five years	999	2,148
	5,995	7,517

Company

The Company has no investment property

Notes to the Financial Statements continued

14 Investments in associates and subsidiaries

Investment in associates

Group

	£'000
Cost	
At 30 April 2011	598
Exchange differences	(1)
Additions	62
Share of profits	89
Other movements	(55)
Dividends	(101)
At 30 April 2012	592
Exchange differences	25
Additions	118
Share of profits	55
At 30 April 2013	790

Other movements in 2012 relates to the change in the percentage interest in Photo Direct Pty Ltd

The summarised financial information of the principal associates, relating to the Group's share, is set out below. All companies are unlisted.

Name	Country of incorporation	Assets £'000	Liabilities £'000	Revenue £'000	Profit/(loss) £'000	% interest
At 30 April 2012						
Max Sight Ltd	Hong Kong	232	41	402	21	33.33
Photo Direct Pty Ltd	Australia	796	498	2,786	66	26.95
Other associates		160	57	311	2	
		1,188	596	3,499	89	
At 30 April 2013						
Max Sight Ltd	Hong Kong	337	77	458	59	33.33
Photo Direct Pty Ltd	Australia	988	678	3,066	-	26.95
Other associates		258	38	108	(4)	
		1,583	793	3,632	55	

Company

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
Cost			
At 1 May 2011	408	43,505	43,913
Capital increase relating to share-based payment (net)	-	233	233
Disposals	-	(1,126)	(1,126)
At 30 April 2012	408	42,612	43,020
Additions	182	1	183
Capital increase relating to share-based payment (net)	-	139	139
Disposals	-	(10)	(10)
At 30 April 2013	590	42,742	43,332
Provision			
At 1 May 2011	150	2,005	2,155
Decrease	-	(662)	(662)
At 30 April 2012	150	1,343	1,493
Decrease	-	(10)	(10)
At 30 April 2013	150	1,333	1,483
Net book value			
At 30 April 2013	440	41,409	41,849
At 30 April 2012	258	41,269	41,527
At 1 May 2011	258	41,500	41,758

The net capital increase relating to share-based payments relates to share options granted to the employees of subsidiary undertakings of the Group. Refer to note 20 for further details on the Group's share option schemes.

The details of the Group's principal subsidiaries and associates are given in note 29

Notes to the Financial Statements continued

15 Financial instruments

The Group may hold financial instruments (such as bank and other loans) to finance its day to day working capital requirements, for capital expenditure, for corporate transactions (such as dividend payments to shareholders, share buybacks, acquisitions), for the management of currency and interest rate exposure arising from its operations (which may involve the use of derivatives and swaps) and for the temporary investment of short-term funds. With a strong net cash position, the Group currently finances its working capital and capital expenditure programmes from its own resources and has not used swaps or derivatives in the current or comparative year. In addition financial instruments such as trade receivables (amounts due from customers as a result of a sale) and trade payables (arising from purchases of materials and services) arise from day to day trading.

The following notes describe the Group's financial risk management policy and details on financial instruments.

15 (a) Fair values of financial instruments by class

There is no difference between the fair values and the carrying values of financial assets and financial liabilities held in the Group's or the Company's statement of financial position.

Held to maturity, available-for-sale financial assets and derivatives

The fair value is based on quoted prices at the balance sheet date for quoted investments and other valuation methods for unquoted investments. For restricted deposit accounts held to maturity, fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying value where cash is repayable on demand. For short-term cash deposits and other items not repayable on demand, fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

15 (b) Financial statement risk management

Financial risk factors and financial risk management

Overview

The Group and the Company are exposed to the following risks arising from financial instruments:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It mainly arises on trade and other receivables and bank balances.

Liquidity risk arises from the Group and the Company having insufficient cash resources to meet its obligations as and when they fall due for payment

Market risk arises from changes in market prices, such as exchange rates, interest rates and equity prices that will impact on the Group's and the Company's income statement or the value of its holding of financial instruments.

Listed below are details of these risks, the Group's objectives, policies and processes for measuring and monitoring risks and the Group's management of capital

Risk Management Framework

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks for the Group. Information has been disclosed relating to the Parent Company only where material risk exists.

There is a continuous process for identifying, evaluating and managing the key financial risks faced by the Group in line with changing market conditions and the Group's strategy. If necessary, the Group's internal audit function may assist in monitoring and assessing the effectiveness of controls and procedures. The Board retains responsibility for ensuring the adequacy of systems for identifying and assessing significant risks, that appropriate control systems and other mitigating actions are in place and that residual exposures are consistent with the Group's strategy and objectives. Assessments are conducted for all material entities.

The Group may use derivatives to manage exchange or interest rate risk. Approval for their use is given by the Board and the position is monitored constantly.

With regard to management of interest rate risk, the objectives are to lessen the impact of adverse interest rate movements on earnings and shareholders' funds and to ensure no breach of covenants. This is mainly achieved by reviewing the mix of fixed and floating rate borrowings.

The Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

(i) Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, and on outstanding trade and other receivables. Cash deposits are limited to high credit quality financial institutions. The Group has policies in place to ensure that sales of products and services are made to customers with an approved credit history.

Credit quality of financial assets

Individual Group companies have banking relationships with leading banks in the country in which the Group company operates. Surplus cash is placed in bank deposit accounts, for varying periods, depending on the cash requirements of the Group. These deposits are placed with leading banks in the country in which the Group company operates. The Group has procedures in place to ensure that cash is placed with sound financial institutions.

The Group and the Company trade with a large number of customers, ranging from quoted companies and state organisations to individual traders. Individual Group companies have credit control procedures in place before making sales to new customers and levels of credit are reviewed in light of trading experience. The normal terms of trade are in the range 30–90 days. The collection of outstanding receivables is monitored at both the Group and subsidiary level.

The Group and the Company make provisions against trade and other receivables, such provisions being based on the previous credit history of the debtor and if the debtor is in receivership or liquidation.

The maximum credit risk for financial assets is the carrying value.

Trade receivables, related parties and amounts due from associated undertakings are normally interest free. The normal terms of settlement are between 30 and 90 days. Other receivables and prepayments and accrued income are interest free.

Notes to the Financial Statements continued

15 Financial instruments continued

15 (b) Financial statement risk management continued

Financial risk factors and financial risk management continued

(i) Credit risk continued

Credit quality of financial assets continued

The movements in provisions are as follows

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
At 1 May	6,068	6,809	25	1,184
Exchange differences	174	(543)	-	-
Charged/(credited) to income statement	133	771	1,009	(9)
Utilised	(1,623)	(969)	(297)	(1,150)
At 30 April	4,752	6,068	737	25

At 30 April 2013, trade receivables of £1,535,000 (2012: £1,746,000) were past due and relate to a number of individual customers for whom there is no recent evidence of default and therefore are not impaired

The ageing of net trade current receivables is as follows

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current	6,194	8,044	425	692
Past due				
- overdue 1-30 days	593	712	53	131
- overdue 31-60 days	241	488	9	32
- overdue 61 days	701	546	111	19
Total past due	1,535	1,746	173	182
Total trade receivables	7,729	9,790	598	874

The credit quality of trade receivables that are neither past due nor impaired is assessed on an individual basis, based on credit ratings and experience. Management believes adequate provision has been made for trade receivables.

Amounts due from subsidiaries of £4,255,000 (2012: £3,990,000) are all current

(ii) Liquidity risk

The Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Trading forecasts indicate that the current facilities provide more than sufficient liquidity headroom to support the business for the foreseeable future. The net cash position at 30 April 2013 and 30 April 2012 has reduced liquidity risk for the Group.

At 30 April 2013, the Group has undrawn facilities of £13,546,000 (2012: £13,471,000). Having regard to the Group's cash flow, it is considered that these facilities provide adequate headroom for the Group's needs. The facilities are generally reaffirmed by the banks annually. These undrawn facilities, if used, will be subject to floating rates of interest.

Certain lending banks may impose loan covenants on borrowings, which are normal for these type of borrowings, and, during the years to 30 April 2013 and 30 April 2012, the Group and the Company have comfortably complied with such requirements.

The table below summarises the maturity profile of the Group's financial liabilities (including trade and other payables) at 30 April 2013 and 30 April 2012 based on contractual undiscounted payments.

	Within one year £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Total £'000
At 30 April 2013					
Interest bearing loans and borrowings and interest free loans	463	183	–	–	646
Finance leases	80	53	–	–	133
Trade and other payables	27,390	–	–	–	27,390
	27,933	236	–	–	28,169
At 30 April 2012					
Interest bearing loans and borrowings and interest free loans	4,305	458	210	18	4,991
Finance leases	131	64	25	2	222
Trade and other payables	30,433	130	–	–	30,563
	34,869	652	235	20	35,776

The table below summarises the maturity profile of the Company's financial liabilities (including trade and other payables) at 30 April 2013 and 30 April 2012, based on contractual undiscounted payments

	Contractual cash flows		
	Within one year £'000	Over one year £'000	Total £'000
At 30 April 2013			
Trade and other payables	10,140	–	10,140
Group loans including interest	5,364	–	5,364
	15,504	–	15,504
At 30 April 2012			
Trade and other payables	16,039	–	16,039
Group loans including interest	2,182	–	2,182
	18,221	–	18,221

Held to maturity financial assets

These largely comprise restricted bank deposit accounts where the cash is held by the bank as security against certain contingent liabilities

(iii) Market risk

Foreign exchange risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the local functional currency. In addition, the Group faces currency risks arising from monetary financial instruments held in non-functional currencies. The income statement reflects the impact of realised and unrealised exchange differences on trading items and monetary financial instruments (note 4)

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The main currency translation risk relates to foreign operations whose functional currency is the Euro, Swiss franc or Japanese yen. The investments are not hedged. The translation reserve reflects the exchange differences arising on translation of the opening net assets and results of the foreign operation (note 20)

Operational foreign exchange exposure

Where possible, the Group tries to invoice in the local currency of the respective entity. If this is not possible, then to mitigate exposure, the Group endeavours to buy from suppliers and sell to customers in the same currency. The exposure relating to receivables and payables denominated in the non-functional currency is normally less than 3 months as this is the normal settlement period for these items.

Where possible, the Group tries to hold the majority of its cash and cash equivalent balances in the local currency of the respective entity.

Notes to the Financial Statements continued

15 Financial instruments continued

15 (b) Financial statement risk management continued

Financial risk factors and financial risk management continued

(iii) Market risk continued

Monetary assets/liabilities

The Group continues to monitor exchange rates and buy or sell currencies in order to minimise the open exposure to foreign exchange risk

The Group may use derivative financial instruments mainly to reduce the risk of foreign exchange exposure on trading items (sales or purchases in currencies other than the domestic currency of the company concerned) and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes

IFRS 7 sensitivity analysis

The following table shows the impact on profit and equity of a change of 10% in exchange rates, excluding translation risk, assuming all other variables held constant. This analysis is for illustrative purposes only.

	Reported £'000	10% increase £'000	10% decrease £'000
2013			
Profit for the year	17,560	17,880	17,174
Total equity	98,358	98,721	97,912
2012			
Profit for the year	14,546	15,344	13,572
Total equity	96,841	97,626	95,881

The table below shows trade and other receivables that are not in the domestic currency of the individual Group company they are held by

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amount shown as current receivables				
Sterling	3,286	–	–	–
Euro	1,066	1,860	1,042	1,855
US dollar	724	228	3	–
	5,076	2,088	1,045	1,855

The majority of these amounts arise from inter-group trading

Included in the Company amounts due from subsidiaries are short-term loans as follows

	2013 £'000	2012 £'000
Floating rate Euro loans	564	632
	564	632

Borrowings

At 30 April 2013 and 30 April 2012 the Group had no borrowings which were not denominated in the functional currency of the Group company concerned.

The Company has borrowings from Group companies in Swiss francs of £1,950,000 (2012 £2,031,000)

The table below shows trade and other payables that are not in the domestic currency of the individual Group company they are held by, with the majority arising from inter-group trading

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts shown as current liabilities				
Sterling	3,546	1,808	-	-
Euro	2,349	8,475	1,914	7,853
Swiss franc	3,082	3,186	2,012	2,123
US dollar	650	222	-	-
Japanese yen	975	1,008	-	-
Other currencies	8	9	-	-
	10,610	14,708	3,926	9,976

Analysis of net cash by currency

	Bank £'000	Financial assets £'000	Loans £'000	Leases £'000	Total £'000
2013					
Sterling	19,413	958	-	-	20,371
Euro	24,246	901	(642)	(6)	24,499
Swiss franc	6,817	602	-	-	7,419
US dollar	158	-	-	-	158
Japanese yen	7,809	-	-	(127)	7,682
Other currencies	1,208	86	(4)	-	1,290
	59,651	2,547	(646)	(133)	61,419
2012					
Sterling	10,559	804	-	-	11,363
Euro	25,828	963	(4,935)	(36)	21,820
Swiss franc	6,767	622	-	-	7,389
US dollar	146	-	-	-	146
Japanese yen	10,289	-	-	(185)	10,104
Other currencies	1,016	-	(6)	-	1,010
	54,605	2,389	(4,941)	(221)	51,832

Notes to the Financial Statements continued

15 Financial instruments continued

15 (b) Financial statement risk management continued

Interest rate risk

At 30 April 2013 the Group had net cash of £61,419,000 (2012: £51,832,000). Included in these amounts are £26,958,000 in bank deposit accounts (2012: £21,259,000) and £2,461,000 (2012: £2,389,000) in restricted deposit accounts, not all of which are interest bearing. With the current low rates of interest on bank deposits, a change in interest rates will not have a significant impact for the Group.

With the low level of external debt at 30 April 2013 the Group and the Company are not currently exposed to significant interest rate risk exposure.

The Group uses derivative financial instruments mainly to reduce the risk of foreign exchange exposure on trading items (sales or purchases in currencies other than the domestic currency of the company concerned) and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes. There were no derivatives reflected in the statement of financial position at 30 April 2013 and 30 April 2012.

IFRS 7 sensitivity analysis

With current low interest rates and the Group's low level of debt financing the impact on the total interest payable charges due to a change of 100 basis points (1%) on borrowings subject to floating rates of interest is not material. Consequently no sensitivity tables have been presented.

Terms and debt repayment schedule

The Group has a number of individual bank loans with varying maturity dates. Interest rates on these loans are based on LIBOR, EURIBOR or equivalent rates plus a margin. The interest rates shown below indicate the range of interest rates ruling on the loans at 30 April 2013, with the latest maturity date shown. The Company has no loans outstanding at 30 April 2013 (2012: none).

Group	Status	Currency	Interest rate	Year of maturity	2013 Carrying amount £'000	2012 Carrying amount £'000
Finance leases	Fixed rate	various	0%–7.20%	2018	133	221
Loans	Floating	various	4.75%	2013	227	4,297
Loans	Interest free	Euro	0.0%	2015	419	644
Total carrying amount					779	5,162

Floating rate interest borrowings (loans and overdrafts) are based on LIBOR, EURIBOR or equivalent rates in other countries plus a margin (generally between 0.45% and 1.0%).

Included in the Company receivables – amounts due from subsidiaries, are loans amounting to £564,000 (2012: £632,000) which are subject to floating rates of interest based on EURIBOR plus a margin between 0.5% and 1.0%. Also included for 2013 is a loan to an associated undertaking of £129,000 (2012: £nil).

Price risk

The Group and the Company are exposed to changes in prices on raw materials, consumables and finished goods purchased from suppliers. Wherever possible, price rises are passed on to customers via sales price increases to help manage this risk. The Group does not have material amounts invested in equity securities and thus does not have any significant exposure to price risk on equity investments.

15 (c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to enhance long-term shareholder value, by investing in the business so as to improve the return on investment (by increasing profits available for dividends) and by managing the capital gearing ratio (mixture of equity and debt)

The Group manages, and makes adjustments to, its capital structure in light of the prevailing risks and economic conditions affecting its business activities. This may involve adjusting the rate of dividends, purchasing the Company's own shares, the issue of new shares and reviewing the level and type of debt. The Group manages its borrowings by appraising the mix of fixed and floating rate borrowings and the mix of long-term and short-term borrowings. The Group is primarily financed by Ordinary shares, retained profits and borrowings. There were no changes to the Group's approach to capital management during the year.

The capital structure of the Group is presented below

	2013 £'000	2012 £'000
Cash and cash equivalents	59,737	54,605
Borrowings	(779)	(5,162)
Net cash (excluding restricted deposits)	58,958	49,443
Equity	98,358	96,841

The Group has various borrowings and available facilities that contain certain external capital requirements (covenants) that are considered normal for these types of arrangements. The Group remains comfortably within all such covenants.

16 Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Non-current assets				
Amounts due from – associated undertakings	72	–	71	–
Other receivables	1,577	1,431	–	–
Prepayments and accrued income	42	42	–	–
	1,691	1,473	71	–
Current assets				
Trade receivables – external	7,729	9,790	598	874
– related parties	17	–	–	–
Amounts due from – subsidiaries	–	–	4,255	3,990
– associated undertakings	119	37	58	–
Other receivables	3,152	2,841	181	172
Prepayments and accrued income	1,831	1,634	535	424
	12,848	14,302	5,627	5,460

Non-current other receivables include deposits relating to operating sites and properties. Current other receivables include deposits relating to operating sites and properties, indirect and other taxation and other receivables.

Notes to the Financial Statements continued

17 Inventories

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Raw materials and consumables	10,210	13,971	869	1,010
Work-in-progress	25	2	-	-
Finished goods	3,006	2,958	23	147
	13,241	16,931	892	1,157

The replacement value of inventories is not materially different from that stated above

The cost of inventories recognised as an expense included in cost of sales amounted to £24,360,000 (2012 £25,598,000) from continuing operations

18 Cash and cash equivalents

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash at bank and in hand	32,693	33,346	2,792	5,811
Deposit accounts (excluding restricted deposits)	26,958	21,259	12,709	5,051
Cash and cash equivalents per statement of financial position	59,651	54,605	15,501	10,862
Cash and cash equivalents per cash flow	59,651	54,605	15,501	10,862

Cash and cash equivalents per cash flow comprise cash at bank and in hand and short-term deposit accounts with an original maturity of less than three months, less bank overdrafts. The amounts placed in short-term deposit accounts depend on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rate. Cash at bank is generally interest free, but may earn interest at the applicable daily bank floating deposit rate

19 Net cash

	Notes	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash and cash equivalents per statement of financial position	18	59,651	54,605	15,501	10,862
Financial assets – held to maturity		2,461	2,389	958	604
Financial assets – available-for-sale		86	-	-	-
Non-current instalments due on bank loans	21	(183)	(685)	-	-
Current instalments due on bank loans	21	(463)	(4,256)	-	-
Non-current finance leases	21	(53)	(91)	-	-
Current finance leases	21	(80)	(130)	-	-
Net cash		61,419	51,832	16,459	11,466

The Company's net cash excludes inter-group financing

At 30 April 2013, £2,461,000 of the total net cash (2012 £2,389,000) comprised bank deposit accounts that are subject to restrictions and are not freely for use by the Group.

Net cash is a non-GAAP measure since it is not defined in accordance with IFRS but is a key indicator used by management in assessing operational performance and financial position strength. The inclusion of items in net cash as defined by the Group may not be comparable with other companies' measurement of net cash/debt. The Group includes in net cash, cash and cash equivalents and certain financial assets, mainly deposits, less loan and other borrowings.

In calculating the gearing ratio, the Group excludes certain deposit balances that are subject to restrictions and are not freely available for use by the Group. These financial assets are shown as held to maturity in the statement of financial position.

The tables below, which are not currently required by IFRS, reconcile the Group's net cash to the Group's statement of cash flows. Management believes the presentation of the tables will be of assistance to shareholders.

	1 May £'000	Exchange differences £'000	Other movements £'000	Cash flow £'000	30 April £'000
2012/13					
Cash and cash equivalents per statement of financial position and cash flow	54,605	(305)	-	5,351	59,651
Financial assets – held to maturity	2,389	51	-	21	2,461
Financial assets – available-for-sale	-	-	-	86	86
Loans	(4,941)	(194)	-	4,489	(646)
Leases	(221)	26	(64)	126	(133)
Net cash	51,832	(422)	(64)	10,073	61,419
2011/12					
Cash and cash equivalents per statement of financial position and cash flow	56,212	(1,874)	-	267	54,605
Financial assets – held to maturity	1,871	(115)	200	433	2,389
Loans	(16,768)	900	(221)	11,148	(4,941)
Leases	(636)	(3)	(225)	643	(221)
Net cash	40,679	(1,092)	(246)	12,491	51,832

Notes to the Financial Statements continued

20 Share capital and reserves

Share capital

Company

	2013 Number	2012 Number	2013 £'000	2012 £'000
Alotted, issued and fully paid				
Ordinary shares of 0.5p each				
At 1 May	369,945,563	368,829,099	1,850	1,844
Issued in year				
– share options	1,262,648	1,116,464	6	6
At 30 April	371,208,211	369,945,563	1,856	1,850

The holders of Ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

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	At 30 April 2012	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2013	Exercise price	Date from which exercisable	Last date on which exercisable
13 Feb 2004	135,000	–	(135,000)	–	–	138.50p	13 Feb 2009	12 Feb 2013
29 Jan 2009	484,078	–	–	(369,078)	115,000	10.92p	29 Jan 2012	28 Jan 2016
20 Jan 2010	1,750,000	–	(788,230)	(793,570)	168,200	36.67p	20 Jan 2013	19 Jan 2017
12 Jul 2010	2,065,000	–	(50,000)	(100,000)	1,915,000	36.33p	12 Jul 2013	11 Jul 2017
4 Jul 2011	1,225,000	–	(10,000)	–	1,215,000	65.25p	4 Jul 2014	3 Jul 2018
13 Dec 2011	250,000	–	–	–	250,000	53.50p	13 Dec 2014	12 Dec 2018
4 Jul 2012	–	1,926,000	–	–	1,926,000	39.17p	4 Jul 2015	3 Jul 2019
	5,909,078	1,926,000	(983,230)	(1,262,648)	5,589,200			

Date options granted	At 30 April 2011	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2012	Exercise price	Date from which exercisable	Last date on which exercisable
13 Dec 2002	555,792	–	(30,000)	(525,792)	–	18.33p	13 Dec 2007	12 Dec 2011
13 Feb 2004	135,000	–	–	–	135,000	138.50p	13 Feb 2009	12 Feb 2013
29 Jan 2009	1,170,800	–	(96,050)	(590,672)	484,078	10.92p	29 Jan 2012	28 Jan 2016
20 Jan 2010	1,750,000	–	–	–	1,750,000	36.67p	20 Jan 2013	19 Jan 2017
12 Jul 2010	2,080,000	–	(15,000)	–	2,065,000	36.33p	12 Jul 2013	11 Jul 2017
4 Jul 2011	–	1,255,000	(30,000)	–	1,225,000	65.25p	4 Jul 2014	3 Jul 2018
13 Dec 2011	–	250,000	–	–	250,000	53.50p	13 Dec 2014	12 Dec 2018
	5,691,592	1,505,000	(171,050)	(1,116,464)	5,909,078			

Full details of directors' share options are given in the Remuneration report on pages 30 and 31.

All options can be exercised, in normal circumstances, within a period of four years from the exercise of option date, providing that the performance criterion or performance condition has been achieved. The subscription price for all options is based upon the average market price on the three days prior to the date of grant. Options are restricted, or may lapse, if the grantee leaves the employment of the Group before the first exercise date.

All options are equity settled options

The performance criterion applying to the options granted between 13 December 2002 and 13 February 2004 is that, over a three year period, the Company achieves real EPS growth averaging 3% a year, or more

Options granted after 2005 are covered by the new Photo-Me Executive Share Option Scheme. The vesting of options is subject to an EPS-based performance condition relating to the extent to which the Company's basic EPS for the third financial year, following the date of grant, reaches a sliding scale of challenging EPS targets.

Options are normally granted over shares worth up to 150% of a participant's salary each year. In exceptional cases as part of the terms of attracting senior management, options in excess of that number may be granted

The weighted average exercise price of all options outstanding at 30 April 2013 is 43.9p (2012: 41.4p) and the weighted average exercise price of options exercisable at 30 April 2013 is 26.2p (2012: 38.7p).

The weighted average share price for options exercised during the year ended 30 April 2013 was 52.9p (30 April 2012: 54.8p)

The weighted average remaining years for options outstanding at the year end date is 5.2 years (2012: 4.9 years)

Share-based payments

In accordance with IFRS 2 Share-based Payments, share options granted to senior management including directors after November 2002 have been fair-valued and the Company has used the Black-Scholes option pricing model. This model takes into account the terms and conditions under which the options were granted

The following table lists the inputs to the model used for the years ended 30 April 2013 and 30 April 2012

Date of grant	13 December 2002	13 February 2004	29 January 2009	20 January 2010
Vesting period	5 years	5 years	3 years	3 years
Share price volatility	76.5%	78.2%	52.8%	69.1%
Share price on date of grant	£0.1875	£1.3975	£0.1075	£0.355
Option price	£0.183	£1.385	£0.109	£0.3667
Expected term	5.25 years	5.25 years	3.25 years	3.25 years
Dividend yield	1.6%	0.0%	0.0%	0.7%
Risk free interest rate	4.3%	4.6%	2.52%	2.27%
Fair value	£0.112	£0.943	£0.04693	£0.1636

Date of grant	12 July 2010	4 July 2011	13 December 2011	4 July 2012
Vesting period	3 years	3 years	3 years	3 years
Share price volatility	70.1%	65.4%	63.2%	58.3%
Share price on date of grant	£0.38	£0.64	£0.5025	£0.38
Option price	£0.3633	£0.6525	£0.535	£0.3917
Expected term	3.25 years	3.25 years	3.25 years	3.25 years
Dividend yield	3.29%	3.13%	4.48%	6.58%
Risk free interest rate	1.27%	1.32%	0.50%	0.46%
Fair value	£0.1595	£0.2446	£0.1638	£0.1023

The charge for share-based payments is £212,000 (2012: £302,000)

Share price volatility is based on historical volatility

Notes to the Financial Statements continued

20 Share capital and reserves continued

Reserves

Group

Treasury shares (Group and Company)

In accordance with shareholders' resolutions passed at Annual General Meetings, the Company may purchase its own shares up to a maximum of 10% of the Ordinary shares in issue. At 30 April 2012 the number of shares held in Treasury was 7,505,000, representing 2.03% of the Ordinary issued share capital. The treasury shares have no voting or dividend rights until the Company reissues them, which can be at any time. Under Companies Act legislation the amount has to be deducted from reserves available for distribution before the Company can make dividend distributions. On 13 March 2013 the Company sold its holding of 7,505,000 Ordinary shares held in treasury at a price of 78.0 pence per share. No gain or loss was made on this disposal.

Other reserves

Other reserves mainly arise in subsidiaries, are generally not distributable, and arise as a result of local legislation regarding capital maintenance.

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates. In accordance with the options allowed under IFRS 1, only exchange rate differences arising on translation after the date of transition, 1 May 2004, are shown in this reserve. When an overseas subsidiary or associate is disposed, the cumulative exchange difference relating to the entity disposed is recycled through the income statement as part of the profit or loss on sale in finance revenue/cost and is shown as a movement in other comprehensive income.

Company

Other reserves

The Company's other reserves include £201,000 (2012: £201,000) arising on the redemption of the deferred shares and £823,000 (2012: £684,000) relating to the fair value of options granted to employees of Group undertakings (note 14).

21 Financial liabilities

	Group	
	2013 £'000	2012 £'000
Non-current liabilities		
Non-current instalments due on bank loans	183	685
Finance lease creditors	53	91
	236	776
Current liabilities		
Current instalments due on loans	463	4,256
Finance lease creditors	80	130
	543	4,386

Bank loans are denominated in a number of currencies and bear interest rates based on LIBOR or foreign equivalent rates appropriate to the country in which the borrowing is incurred. Further details are provided in note 15 and in the tables below. Margins are generally between 0.40% and 1.0%.

The maturity of non-current bank loans is as follows:

	Group	
	2013 £'000	2012 £'000
Between one and two years	183	457
Between two and three years	-	210
Between three and four years	-	18
	183	685

Obligations under finance leases

The Group has entered into finance lease arrangements for certain items of property, plant and equipment, mainly photobooths, for periods of up to four (2012 four) years (note 12). The total finance lease creditor at 30 April 2013 is £133,000, £80,000 due within one year and £53,000 due between two and five years, (2012 total finance lease creditor £221,000, £130,000 due within one year and £91,000 due within two to five years) The Company has no finance leases (2012 none)

22 Post-employment benefit obligations

The Company and its principal subsidiaries operate pension and other retirement and post-employment schemes including both funded defined benefit schemes, whereby retirement benefits are based on the employee's final remuneration and length of service, and defined contribution schemes, whereby retirement benefits reflect the accumulated value of agreed contributions

Defined contribution schemes are held independent of the Group and no liability arises save to pay over the agreed level of contributions. The charge for the year for these schemes was £183,000 (2012 £206,000).

The Group's and the Company's defined benefit pension schemes are included in the statement of financial position under employment benefit obligations as are other overseas retirement provisions

The amount shown in the statement of financial position is detailed as follows:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Company defined benefit scheme	-	182	-	182
Overseas employment benefit obligations	3,384	3,552	-	-
Overseas defined benefit scheme	381	551	-	-
Amount shown as non-current liability	3,765	4,285	-	182

Photo-Me International plc defined benefit pension scheme

The Group's and the Company's policy is to recognise actuarial gains and losses immediately each year in the statement of changes in equity, under other comprehensive income

The Company operates a final salary defined benefit scheme in the UK for some long-serving employees, which is funded by contributions from the Company and by members of the scheme. This pension scheme (the Photo-Me International plc Pension and Life Assurance Fund) is closed to new entrants. The defined benefits are based upon an employee's years of service and final pensionable salary. Actuarial valuations are undertaken triennially by a qualified independent actuary, the most recent valuation being at 1 June 2012, which has not yet been formally approved by the pension fund trustees.

Notes to the Financial Statements continued

22 Post-employment benefit obligations continued

Reconciliation of the movement in the present value of the defined benefit obligation

	2013 £'000	2012 £'000
Present value of defined benefit obligation at beginning of year	5,865	5,450
Current service cost	42	37
Interest cost	266	284
Contributions by members	4	4
Actuarial loss on plan liabilities	731	316
Benefits paid	(212)	(226)
Present value of defined benefit obligation at end of year	6,696	5,865

Reconciliation of the movement in the fair value of plan assets

	2013 £'000	2012 £'000
Fair value of plan assets at beginning of year	5,923	5,624
Expected return on plan assets	306	336
Actuarial gain/(loss) on plan assets	602	(165)
Contributions by the Company	350	350
Contributions by members	4	4
Benefits paid	(212)	(226)
Fair value of plan assets at end of year	6,973	5,923

Amount to be recognised in the statement of financial position

	2013 £'000	2012 £'000
Present value of funded obligations	6,696	5,865
Fair value of scheme assets	(6,973)	(5,923)
Net assets	(277)	(58)
Effect of limit of recognition of an asset	277	58
Recognition of minimum funding requirement	-	182
Net liability recognised in the statement of financial position	-	182

The cumulative amount of actuarial gains and losses recognised since 1 May 2004 in the Group and Company statements of comprehensive Income, within other comprehensive Income, is a loss of £1,268,000 (2012, loss of £1,102,000) in respect of the Company's defined benefit scheme

Amount to be recognised in the statement of comprehensive income

	2013 £'000	2012 £'000
Current service cost	42	37
Interest on obligation	266	284
Expected return on plan assets	(306)	(336)
Total charge/(credit)	2	(15)

The amounts shown above are included in staff costs (note 5) and in administrative expenses

Total amount recognised in other comprehensive income

	2013 £'000	2012 £'000
Actuarial loss	(129)	(481)
Effect of the limit of recognition of an asset	(219)	116
Recognition of minimum funding requirement	182	312
Total amount recognised in other comprehensive income	(166)	(53)

An analysis of the assets of the plan is as follows

Plan assets

	2013		2012		2011	
	£'000	%	£'000	%	£'000	%
Equities	1,708	25	1,540	26	1,904	34
Gifts and bonds	4,910	70	3,981	67	3,332	59
Other	355	5	402	7	388	7
Total plan assets	6,973	100	5,923	100	5,624	100
Expected return on plan assets		n/a		5.1		5.9

There were no financial instruments of the Company included in the plan assets (2012: none) and there were no property assets occupied by the Company (2012: none).

The overall expected return on assets is calculated as the weighted average of the expected return on each individual asset class. The expected return on equities is the sum of inflation, the dividend yield, economic growth and investment expenses. The return on gilts and bonds is the current market yield on long-term gilts and bonds. The expected return on other assets has been set equal to the assumed inflation rate.

Actual return on plan assets

	2013 £'000	2012 £'000
Actual return on plan assets	908	171

Principal actuarial assumptions

	30 April 2013 %	30 April 2012 %
Discount rate	3.90	4.60
Expected return on plan assets at end of year	n/a	5.10
Rate of increase in salaries	4.30	4.00
Price inflation	3.30	3.00
Pension increases		
– pension accrued before 6 April 1997	3.00	3.00
– pension accrued from 6 April 1997	3.20	3.00

The mortality tables used for 2013 are S1NMA_L (males) and S1NFA_L (females) with allowances for future mortality improvements in line with the CMI 2011 model using a long term rate of improvement of 1% pa. The mortality tables used in 2012, 2011, 2010, 2009 and 2008 were the PxA00, medium cohort tables projected by year of birth with an underpin to future improvements of 1% p.a. The life expectancy from age 65 underlying these mortality tables is as follows:

	2013	2012
Male currently aged 65	23.62 years (age 88.62)	22.59 years (age 87.59)
Female currently aged 65	24.82 years (age 89.82)	25.03 years (age 90.03)
Male currently aged 45	24.88 years (age 89.88)	24.52 years (age 89.52)
Female currently aged 45	26.35 years (age 91.35)	26.88 years (age 91.88)

Notes to the Financial Statements continued

22 Post-employment benefit obligations continued

History of assets, liabilities and actuarial gains and losses

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Present value of defined benefit obligation	6,696	5,865	5,450	5,307	4,405
Fair value of assets	6,973	5,923	5,624	5,228	4,399
Surplus/(deficit)	277	58	174	(79)	(6)
	2013	2012	2011	2010	2009
Experience (losses)/gains on plan liabilities (£'000)	(731)	(316)	(42)	(900)	230
- as a percentage of the present value of plan liabilities	(11%)	(5%)	(1%)	(17%)	5%
Difference between expected and actual return on plan assets (£'000)	602	(165)	131	830	(1,135)
- as a percentage of the present value of plan assets	9%	(3%)	2%	16%	(26%)

The Company's best estimate of contributions to be paid by the Company next year is £121,000 (2012 £225,000)

Overseas post-employment benefit obligations

Provisions for obligations to make termination payments on retirement, to staff who are not members of the pension and retirement schemes, are as follows

- the Group's Japanese subsidiary undertaking, Nippon Auto-Photo K.K., has an unfunded post-employment retirement provision based on an employee's length of service with the company and their current salary. The allowance is paid to an employee when they leave the company. This has been provided for in full within the accounts. During the year ended 30 April 2010, Nippon Auto-Photo K.K. agreed with employees that 50% of the liability for the retirement provision will be paid in cash into an independently controlled defined contribution scheme over the following three years. At 30 April 2013 no amount remains outstanding under this agreement (2012 £364,000 was outstanding)
- to meet the legal obligations within France, the Group's subsidiary undertakings have unfunded retirement provisions, which were valued by an independent actuary using the Projected Unit Credit Method at 30 April 2013 and 30 April 2012. This actuarial valuation incorporated the following principal assumptions in arriving at the present value of the obligations
 - discount rate 2.75% (2012 3.75%)
 - rate of increase in salaries 2.5% (2012 2.5%)
 - retirement age 62-64 years (2012 65 years)
 - Inflation rate 2.0% (2012 0.0%)

Management believes that the book value for retirement obligations in France fairly states the position at 30 April 2013 and 30 April 2012

The amount charged to the income statement (cost of sales and administration costs) in respect of these obligations is £222,000 (2012, £382,000). The movement in the provisions is as follows:

	2013 £'000	2012 £'000
At 1 May	3,552	3,379
Exchange differences	(180)	(62)
Utilised and other movements	12	123
Charged to other comprehensive income	-	112
At 30 April	3,384	3,552

Overseas pension schemes

The Group's Swiss subsidiary, Prontophot (Schweiz) A G participates in funded multi-employer pension schemes. The Swiss state mandates a guaranteed return to which such employees' schemes are entitled. An actuarial valuation was performed at 30 April 2013 by independent actuaries.

Reconciliation of the movement in the present value of the defined benefit obligation

	2013 £'000	2012 £'000
Present value of defined benefit obligation at 1 May	3,297	3,217
Exchange difference	40	(30)
Contributions by members	38	50
Current service cost	164	97
Past service cost	-	53
Interest cost	59	90
Actuarial (gain)/loss on plan liabilities	(69)	593
Benefits paid	(1,146)	(773)
Present value of defined benefit obligation at 30 April	2,383	3,297

Reconciliation of the movement in the fair value of plan assets

	2013 £'000	2012 £'000
Fair value of plan assets at 1 May	2,746	3,029
Exchange difference	29	(30)
Contributions by company and members	190	249
Expected return on plan assets	85	109
Actuarial gain on plan assets	98	162
Benefits paid	(1,146)	(773)
Fair value of plan assets at 30 April	2,002	2,746

The movements in the fund are as follows

	2013 £'000	2012 £'000
Net liability at 1 May	551	188
Exchange difference	11	-
(Decrease)/increase in liability	(181)	363
Net liability at 30 April	381	551

Amount to be recognised in the statement of comprehensive income

	2013 £'000	2012 £'000
Current service cost	164	97
Past service cost	-	53
Interest on obligation	59	90
Expected return on plan assets	(85)	(109)
Total charge	138	131

Amount to be recognised in the statement of financial position

	2013 £'000	2012 £'000
Present value of funded obligations	2,383	3,297
Fair value of scheme assets	(2,002)	(2,746)
Net liability in statement of financial position	381	551

Notes to the Financial Statements continued

22 Post-employment benefit obligations continued

Plan assets

	2013		2012		2011	
	£'000	%	£'000	%	£'000	%
Cash	7	–	30	1	23	1
Equities & debt instruments	1,385	69	1,861	68	1,884	62
Other	610	31	855	31	1,122	37
Total plan assets	2,002	100	2,746	100	3,029	100
Expected return on plan assets		n/a		3.8		3.8

Principal actuarial assumptions

	30 April 2013 %	30 April 2012 %
Discount rate	2.00	3.00
Expected return on plan assets at end of year	3.50	3.80
Rate of increase in salaries	2.00	2.00
Price inflation	1.00	1.00
Pension increase	0.00	0.00
Expected average remaining working life in years	11.0	10.1

The mortality tables used in 2013 were the BVG 2010 tables and in 2012 and 2011 were the BVG2005 tables

History of assets, liabilities and actuarial gains and losses

	2013 £'000	2012 £'000	2011 £'000
Present value of defined benefit obligation	2,383	3,297	3,217
Fair value of assets	2,002	2,746	3,029
Deficit	(381)	(551)	(188)
	2013	2012	2011
Experience gains/(losses) on plan liabilities (£'000)	205	(372)	(71)
– as a percentage of the present value of plan liabilities	9%	(13%)	(2%)
Difference between expected and actual return on plan assets (£'000)	98	162	191
– as a percentage of the present value of plan assets	5%	6%	7%

The Group's best estimate for contributions to be paid by the company next year to the scheme is £145,000 (2012: £189,000)

The amount recognised in the income statement for this scheme was £138,000. £107,000 included in cost of sales and £31,000 included in administrative expenses (2012: £132,000. £106,000 included in cost of sales and £26,000 included in administrative expenses)

23 Provisions

Group

	Employee related claims £'000	Product warranties £'000	Other £'000	Total £'000
At 30 April 2011	893	2,842	778	4,513
Exchange differences	(104)	(246)	(69)	(419)
Utilised and other movements	(543)	(95)	(400)	(1,038)
Charged to income statement	1,110	324	544	1,978
At 30 April 2012	1,356	2,825	853	5,034
Amount shown as non-current liability	-	6	71	77
Amount shown as current liability	1,356	2,819	782	4,957
	1,356	2,825	853	5,034
At 30 April 2012	1,356	2,825	853	5,034
Exchange differences	81	113	146	340
Utilised and other movements	(420)	(1,238)	(795)	(2,453)
Charged to Income statement	1,153	1,295	2,935	5,383
At 30 April 2013	2,170	2,995	3,139	8,304
Amount shown as non-current liability	-	4	3	7
Amount shown as current liability	2,170	2,991	3,136	8,297
	2,170	2,995	3,139	8,304

Employee related claims

Certain overseas Group undertakings have made provision for claims made by former employees. It is expected that most of these costs will be incurred in the next financial year.

Product warranties

A provision is made for claims on products sold under warranty. The provision will reduce as the warranty period expires but will be increased by warranties given with new sales. The provision is based on past experience of level of repairs for items under warranty. It is expected that most of the provision will be utilised within the next year. The effect of discounting is not material.

Other provisions

Additions to other provisions relate to potential legal claims against certain Group companies. These have been calculated by management based on legal advice and are expected to be incurred in the next financial year.

Company

At 30 April 2013, the Company had current and non-current provisions of £4,000 (2012: £18,000) which included product warranty provisions £1,000 (2012: £15,000).

Notes to the Financial Statements continued

24 Deferred taxation

Deferred tax comprises

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Timing differences relating to property, plant and equipment	199	569	(1,977)	(2,453)
Other timing differences in recognising revenue and expense items in other periods for taxation purposes				
- research and development	1,155	1,932	-	-
- post-employment benefit provisions	(1,367)	(1,864)	-	(265)
- losses	-	(259)	-	-
- other short-term temporary differences	(1,286)	(1,018)	(52)	(66)
	(1,299)	(640)	(2,029)	(2,784)
The closing balance comprises				
- deferred tax assets	(2,157)	(3,148)	(2,029)	(2,784)
- deferred tax liabilities	858	2,508	-	-
	(1,299)	(640)	(2,029)	(2,784)

The movements on deferred taxation during the year were as follows

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Opening balance	(640)	269	(2,784)	(2,893)
Exchange differences	(128)	(20)	-	-
(Credit)/charge for the year in income statement	(839)	(771)	490	101
Amounts charged/(credited) to other comprehensive income	308	(118)	265	8
Closing balance	(1,299)	(640)	(2,029)	(2,784)

Temporary differences associated with Group investments

Unremitted earnings of overseas affiliates

No deferred tax liability has been recognised on the unremitted earnings of overseas subsidiaries as no tax is expected to be payable on them in the foreseeable future based on current legislation.

Unrecognised deferred tax assets

Deferred tax assets amounting to £2,323,000 (2012 £2,042,000) arising on temporary differences of £9,312,000 (2012 £8,202,000), in respect of unrelieved tax losses and other temporary differences have not been recognised, as their future economic benefit is uncertain

The expiry dates of unrelieved tax losses are as follows

	Group	
	2013	2012
	£'000	£'000
Expiring between two and 20 years	464	148
No expiry date	1,859	1,894
	2,323	2,042

In addition, the Group has an unrecognised deferred tax asset on gross capital losses of £5,691,000 (2012 £5,562,000), of which £5,562,000 (2012 £5,562,000) relate to the Company, which have not been recognised as their future economic benefit is not certain

Factors that may affect future tax charges in the UK

On 20 March 2013, the Chancellor announced a reduction in the main rate of UK corporation tax to 23% from 1 April 2013 and 21% from 1 April 2014 and a proposal from 1 April 2015 that the rate would be 20%. The impact of these measures if adopted will see a reduction in the Group's corporation tax charge arising on UK taxable profits. The change in deferred tax will depend on the amount of UK deferred tax at the time of the change. The overall effect of the future reductions from 23% to 20%, if these rates had applied to the UK deferred tax balances at 30 April 2013 would be to reduce the net deferred tax asset by £268,000

Factors that may affect future overseas tax charges

Effective 1 April 2012, the Japanese government announced a reduction in the rate of corporation tax for both large, and small and medium companies (SMEs). The full reduction is delayed for 3 years with a 10% surcharge imposed for the 3 years ending 1 April 2015. The effect of this is that the effective rate for companies will reduce from approximately 41% to approximately 38% for the first 3 years and approximately 36% thereafter. It is estimated that had the deferred tax rate of 36% applied to the balance at 30 April 2013, the increase would amount to £6,000

25 Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts shown as non-current liabilities				
Other payables	-	130	-	-
Accruals and deferred income	4,981	5,516	-	-
	4,981	5,646	-	-
Amounts shown as current liabilities				
Trade payables				
- third parties	14,149	15,094	4,587	4,298
- related parties	23	-	-	-
Amounts owed to subsidiaries	-	-	7,608	10,418
Other taxes and social security costs	3,827	3,454	1,001	925
Other payables	5,543	6,486	73	82
Accruals and deferred income	8,674	9,794	3,099	3,272
	32,216	34,828	16,368	18,995

Included in the Company figures - amounts owed to subsidiaries, are borrowings as detailed in note 15.

Notes to the Financial Statements continued

26 Operating leases

The future minimum lease payments under non-cancellable operating leases are as follows

	Group		Company	
	2013 £'000	2012 £ 000	2013 £'000	2012 £ 000
Land and buildings				
Not later than one year	8,836	5,058	909	1,114
After one year but not more than five years	19,932	7,459	283	605
After five years	682	319	–	10
	29,450	12,836	1,192	1,729
Other				
Not later than one year	1,501	716	579	543
After one year but not more than five years	1,121	1,098	745	910
	2,622	1,814	1,324	1,453
Total				
Not later than one year	10,337	5,774	1,488	1,657
After one year but not more than five years	21,053	8,557	1,028	1,515
After five years	682	319	–	10
	32,072	14,650	2,516	3,182

Lease arrangements

The Group and the Company have entered into operating lease agreements in respect of property, plant and machinery, the majority of which are for motor vehicles. In addition, the Group and the Company have entered into various commission agreements with site-owners enabling the Group and the Company to site vending equipment for a number of years. The amounts recorded as operating lease rentals in the income statement and included in land and buildings lease rentals in the above table represent the minimum fixed commission payable. Certain agreements may, in addition, have clauses where additional commission is payable based on a percentage of revenue generated, above a specified amount.

27 Capital commitments and contingent liabilities

Capital commitments

The Group has capital commitments of £167,000 (2012: £462,000) for the supply of property, plant and equipment.

In addition, the Group's Operations companies have contracted with the Group's Sales & Servicing companies for the supply of machines totalling £225,000 (2012: £303,000), of which the Company's commitments total £225,000 (2012: £303,000).

Contingent liabilities

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.

In the opinion of the directors, adequate provision has been made for claims and legal disputes and the directors thus consider that no contingent liability for litigation exists.

The Group has no contingent liabilities with regard to its interest in the associated undertakings (2012: none).

28 Related parties

The following transactions were carried out with related parties

Key management compensation

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Salaries and other short-term employee benefits				
– excluding ex-gratia and termination payments	1,386	1,340	1,386	1,340
Post-employment benefits	8	8	8	8
Share-based payments – charge	35	22	35	22
	1,429	1,370	1,429	1,370

The remuneration of the directors, both executive and non-executive, of the Company, who are the key management personnel of the Group, is set out in the table above. Further information about the remuneration of the directors is given in the Remuneration report on pages 26 to 32. Certain executive directors, with UK salaries, are entitled to join the Company's Group Personal Pension Plan, to which the Company contributes 5% of their basic salaries. The charge for the year was £8,000 (2012: £8,000). No director who served during the year was a member of the Company's defined benefit pension scheme (2012: none).

Directors of the Company control 21.55% of the Ordinary shares of the Company. The interests of the directors are shown on page 30 of the Remuneration Report.

Sales of goods and services, purchases of goods and services and year end balances

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Sales of goods and services				
Related parties other than associates	37	–	–	–
Associates	198	126	–	–
	235	126	–	–
Purchases of goods and services				
Related parties other than associates	107	–	8	–
Associates	1	–	–	–
	108	–	8	–
Trade and other receivable balances				
Related parties other than associates	17	–	–	–
Associates	191	37	129	–
	208	37	129	–
Trade and other payable balances				
Related parties other than associates	23	–	–	–

Transactions with related parties other than associates refer to transactions with companies in which certain directors have declared an interest. All transactions with related parties were conducted at arm's-length in the ordinary course of business.

The trade and other receivable balances with related parties and associates arise from normal trading and do not include any security or any other consideration. Included in the amount receivable from associates is a loan of £129,000.

The trade and other payable balances arise from normal trading.

Notes to the Financial Statements continued

28 Related parties continued

Defined benefit pension scheme

The Company meets administration costs of the defined benefit scheme, which amounted to £65,000 (2012: £51,000)

Company transactions with subsidiaries

	2013 £'000	2012 £'000
Sales	321	221
Purchases	5,153	4,634
Amounts owed by subsidiaries	4,255	3,990
Amounts owed to subsidiaries	7,608	10,418

In addition, the Company has charged interest to subsidiaries of £56,000 (2012: £14,000), has been charged interest of £65,000 (2012: £59,000), has charged management fees of £4,819,000 (2012: £2,441,000), has been charged management fees of £1,113,000 (2012: £1,386,000) including £1,113,000 (2012: £1,386,000) as a contribution to research and development and has sold fixed assets to subsidiaries of £74,000 (2012: £17,000). The Company also acquired new fixed assets from subsidiaries of £3,810,000 (2012: £2,433,000).

Dividends received from subsidiaries were £18,150,000 (2012: £10,533,000) and from associates £nil (2012: £101,000).

29 Group undertakings

The Company has taken advantage of the exemption under section 410 (2) of the Companies Act 2006 by listing below details of the subsidiary and associated undertakings whose results or financial position, which in the opinion of the directors, principally affected the financial statements

Details of other subsidiary and associated 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. Unless indicated otherwise the voting rights are the same as the percentage of shares held.

The principal activities of the Group undertakings are Operations and Sales & Servicing as described in note 3.

	Principal activity	Group's interest	Country of incorporation
Subsidiary undertakings			
Fotofix-Schnellphotoautomaten G m b H	Operations	100%	Germany
Jolly Roger (Amusement Rides) Limited	Sales & Servicing	100%	England
KIS S A S	Sales & Servicing	100%*	France
Nippon Auto-Photo Kabushiki Kaisha	Operations	100%	Japan
Photomatico (Singapore) Pte Limited	Operations	100%	Singapore
Photomaton S A S	Operations	100%*	France
Photo Me France S A S	Investment	100%	France
Photo-Me Ireland Limited	Operations	100%	Ireland
Photo-Me (Shanghai) Co Ltd	Operations	100%*	China
Prontophot Austria G m b H	Operations	100%	Austria
Prontophot Belgium NV	Operations	100%	Belgium
Prontophot Holland BV	Operations	100%	Holland
Prontophot (Schweiz) A G	Operations	100%	Switzerland
SCI du Lotissement d'Echirolles	Property	61%*	France
SCI Immobilière du 21	Property	100%*	France
Associated undertakings			
Max Sight Limited	Operations	33%	Hong Kong
Photo Direct Pty Ltd	Sales & Servicing	27%	Australia

Five Year Summary

for the years ending 30 April

Income statement (unaudited)

	2013 £'000	2012 £'000	2011 £'000	2010* £'000	2009* £'000
Revenue					
Operations	173,217	178,063	176,852	172,456	166,144
Sales & Servicing	22,373	29,778	42,968	51,810	59,147
Total revenue	195,590	207,841	219,820	224,266	225,291
Operating profit/(loss) after special items before finance costs	24,199	20,019	18,388	13,595	(16,687)
Net finance income/(cost)	107	121	(385)	(1,283)	(3,401)
Profit/(loss) before tax	24,306	20,140	18,003	12,312	(20,088)
Taxation	(6,746)	(5,594)	(4,252)	(2,484)	2,351
Profit/(loss) after taxation	17,560	14,546	13,751	9,828	(17,737)
Attributable to					
– Equity owners of the Parent	17,405	14,349	13,608	9,722	(15,622)
– Non-controlling interests	155	197	143	106	(2,115)
	17,560	14,546	13,751	9,828	(17,737)
Earnings per share – Basic	4 78p	3 97p	3 77p	2 70p	(4 34)p
Earnings per share – Diluted	4 76p	3 95p	3 74p	2 69p	(4 34)p
Dividends – interim	1 50p	1 25p	1 00p	0 25p	–
Dividends – final	1 50p	1 25p	1 00p	1 00p	–
Dividends – special	3 00p	–	–	–	–
Total dividends	6 00p	2 50p	2 00p	1 25p	–

* Including discontinued operations

Statement of financial position (unaudited)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Intangible assets	16,715	18,853	20,461	19,773	19,038
Property, plant and equipment	46,057	47,275	52,596	61,219	77,526
Other non-current investments	790	592	598	583	716
Other non-current assets	6,376	6,877	6,922	3,441	2,503
Current assets	85,872	86,075	97,539	84,418	69,729
Assets held for sale	–	–	–	–	8,008
Total assets	155,810	159,672	178,116	169,434	177,520
Share capital	1,856	1,850	1,844	2,039	2,037
Treasury shares	–	(5,802)	(5,802)	(5,802)	(5,802)
Reserves	95,305	99,792	91,778	81,323	76,618
Non-controlling interests	1,197	1,001	935	792	781
Total equity	98,358	96,841	88,755	78,352	73,634
Total non-current liabilities	9,847	13,292	20,595	25,298	38,022
Total current liabilities	47,605	49,539	68,766	65,784	58,063
Liabilities held for sale	–	–	–	–	7,801
Total equity and liabilities	155,810	159,672	178,116	169,434	177,520
Net cash/(debt)	61,419	51,832	40,679	8,077	(23,499)

Note

The figures above have been extracted from the accounts for the relevant year and have not been adjusted for changes in accounting policies as a result of adoption of new accounting standards

Financial & operational statistics

	2013	2012	2011	2010	2009
Capital expenditure – photobooths and vending machines £,000	16,381	15,032	15,853	10,944	11,480
Capital expenditure – research & development equipment £'000	1,058	2,169	3,358	3,259	2,700
EBITDA £'000	44,927	44,033	47,568	44,236	38,560
EBITDA % of revenue	23.0	21.2	21.6	19.7	17.1
Number of vending sites	43,150	43,300	43,700	43,850	42,600

Company Information and Advisors

Registered in England and Wales

Number 735438

Registered Office

Church Road
Bookham
Surrey
KT23 3EU

Tel +44 (0)1372 453399

Fax +44 (0)1372 459064

Web www.photo-me.co.uk

e-mail ir@photo-me.co.uk

Auditor

KPMG Audit Plc
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

Brokers

JPMorgan Cazenove Ltd
25 Bank Street
Canary Wharf
London
E14 5JP

finnCap Limited
60 New Broad Street
London
EC2M 1JJ

Bankers

Lloyds TSB Bank plc
City Office
11-15 Monument Street
London
EC3V 9JA

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

Financial public relations

Madano Partnership Ltd
76 Great Suffolk Street
London
SE1 0BL

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Shareholder Information

Analysis of registered shareholdings at 26 June 2013

Category	Number of holdings	Number of Ordinary shares	% of issued Ordinary share capital
Individuals	2,367	10,031,768	2.7
Nominees	365	225,362,137	60.7
Other corporate bodies	42	135,856,766	36.6
	2,774	371,250,671	100.0
Size of holding			
1 – 1,000	1,371	698,080	0.2
1,001 – 10,000	1,060	3,203,260	0.9
10,001 – 100,000	242	7,958,981	2.1
100,001 – 500,000	55	12,014,070	3.2
500,001 – 1,000,000	16	11,417,615	3.1
1,000,001 and above	30	335,958,665	90.5
	2,774	371,250,671	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 March 1982	100	Ordinary shares of 50p each (at market value of 445p per 50p share)
9 December 1983 (1 for 5 Cap)	20	Ordinary shares of 50p each
	120	
12 December 1985 (1 for 6 Cap)	20	Ordinary shares of 50p each
	140	
12 December 1985 (subdivision)	140	(50p to 25p)
	280	Ordinary shares of 25p each
18 December 1987 (subdivision)	1,120	(25p to 5p)
	1,400	Ordinary shares of 5p
13 December 1989 (subdivision)	1,400	(5p to 2.5p)
	2,800	Ordinary shares of 2.5p each
8 November 1999 (subdivision)	11,200	(2.5p to 0.5p)
	14,000	Ordinary shares of 0.5p each

Investor relations website

Investor relations information, including share price, is available through the Company's website www.photo-me.co.uk

Shareholder Information continued

Transfer office and registration services

Capita Registrars Limited act on behalf of the Company. All shareholder enquiries, notifications of change of address, dividend mandates, etc. should be referred to them at

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel 0871 664 0300
Overseas Tel 00 44 208 639 3399
Fax 0871 644 0399

Capita Registrars also offer a range of shareholder information online at www.capitashareportal.com

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

Copies of the Annual Report should be requested from

Photo-Me International plc
Church Road
Bookham
Surrey
KT23 3EU

Tel +44 (0)1372 453399
Fax +44 (0)1372 459064
e-mail ir@photo-me.co.uk

Financial calendar

Annual General Meeting	12 September 2013
Half year results (to 31 October 2013)	Announcement in December 2013
Full year results (to 30 April 2014)	Announcement in June/July 2014
Dividend	
Final (year to 30 April 2013) – ex-dividend date	25 September 2013
– record date	27 September 2013
– payment date	7 November 2013

Photo-Me International plc
Church Road
Bookham
Surrey KT23 3EU

Tel +44 (0)1372 453399
Fax +44 (0)1372 459064
Web www.photo-me.co.uk