Focused on the future

Photo-Me International plc
Annual Report 2011

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 complete range of photo-processing equipment, including photobook makers, kiosks and minilabs, together with the servicing of other third party equipment.

Our performance

Revenue

£219.8m

-1.2%

2010: £222.5m†

EBITDA

£47.6m

+7.5%

2010: £44.2m*

Pre tax profit

£18.0m

+28.3%

2010: £14.0m*

Net cash

£40.7m

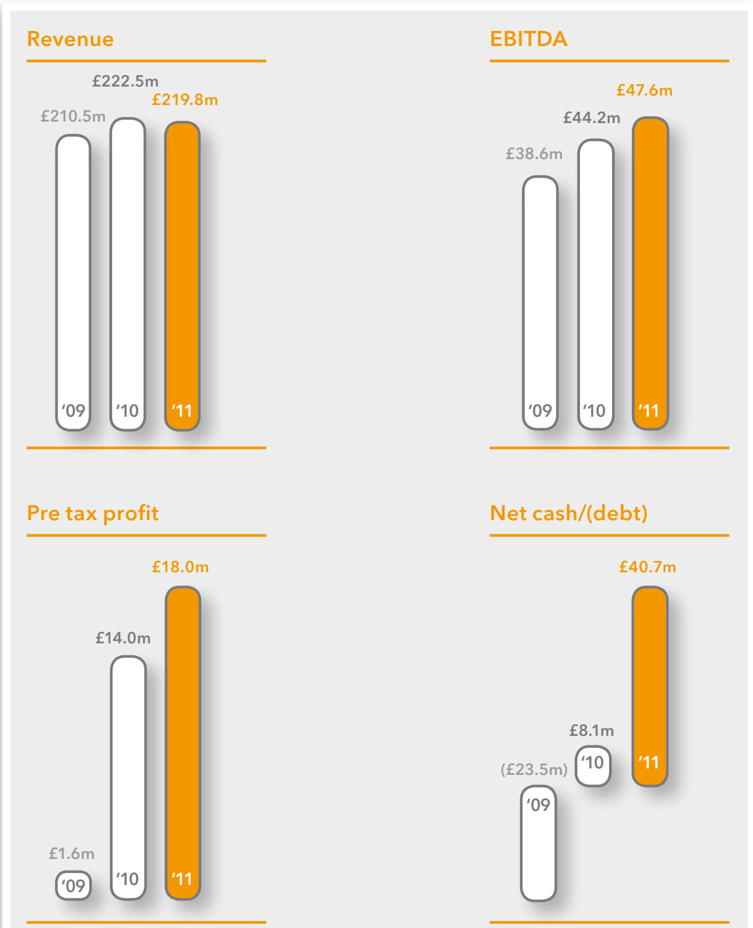
+32.6m

2010: £8.1m

† Continuing operations

* Continuing operations, excluding special items

(2011: no discontinued operations nor special items)



My Pocketbook

We have continued to improve our financial results thanks to a robust performance from our Operations division.

JOHN LEWIS, NON-EXECUTIVE CHAIRMAN

Our products

Photo-Me
BY
STARCK®

Augmented Reality

High resolution 32 inch LCD external screen using Augmented Reality Technology to attract and interact with the customer

Fully compliant

For all official documents such as passports, ID cards and driving licences

Exquisite design everywhere you look

An aesthetically classic exterior with pure, elegant lines and plain colour scheme, reflecting the enthusiasm and creativity of designer, Philippe Starck

The result of a close partnership between Photo-Me and acclaimed designer Philippe Starck, we are proud to present the ultimate photobooth solution

State-of-the-art technology

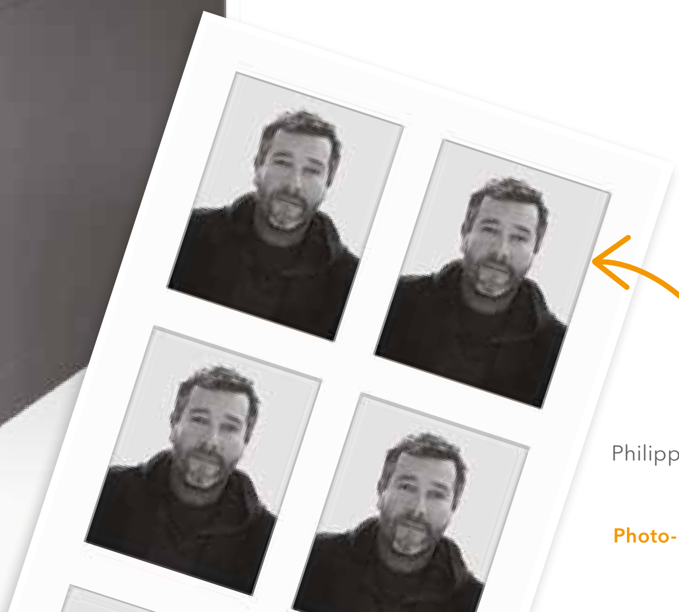
A camera that automatically adjusts to users' height and tactile control screen with simple step-by-step instructions, ensuring a perfect picture every time

The new way to sit for your photo

A translucid backlit seat with no height adjustment required

Wide range of products & services

From exclusive Pop Art photos to 3G wireless connectivity, giving access to Facebook, Picasa, Flickr and email accounts to import existing images



Philippe Starck, designer

Our products continued

DIGITAL PRINTING KIOSKS

Quality

With touchscreen operation and easy-to-use design software, individual photos can be printed in seconds or attractive, quality photo albums can be produced in under five minutes

AMUSEMENT & BUSINESS SERVICES

Amusement

A new range of amusement machines providing customers with a fun and enjoyable experience

PHOTOBOOKS

Unrivalled simplicity and reliability

Effortless operation producing instant photobooks with high margins, using award-winning technology.
Compatible with any minilab making 8″ x 12″ (20cm x 30cm) prints

MINILABS

Latest technology

The new DKS 18 series of minilabs uses the latest image enhancing technologies and has a capacity of 800 4″x6″ (10cm x 15cm) prints per hour

Business services

Easy to use, coin-operated machines offering an innovative range of services, including copiers, business card machines and laundrettes

Our presence

UK & IRELAND:

United Kingdom, Ireland

CONTINENTAL EUROPE:

Austria, Belgium, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Portugal, Switzerland

18,300
sites

BUSINESS PROFILE

16,850
sites

15
countries
worldwide

8,550
sites

ASIA:
China, Japan, Singapore

Over the year, the number of photobooths increased internationally by nearly a thousand, bringing the total number to 22,400

International
The Photo-Me Group has a worldwide reputation for quality photo vending with over 43,000 machines sited

Chairman's statement

John Lewis
NON-EXECUTIVE CHAIRMAN

It is pleasing to report another year of steady progress.

Results

Despite turnover being little changed over the year, we have continued to improve our financial results thanks to a robust performance from our Operations division in our key geographic markets. We have again witnessed a good improvement in adjusted operating profit, from £15.1m last year to £18.4m this year and a further increase in our net cash resources, which increased by £33m to over £40m.

improvement in adjusted operating profit to £18.4m

The operational improvement was due to a combination of a good performance in the key markets in our Operations division as well as further efficiency gains from the recent restructuring plans. The cash position was aided by the receipt of advance rental receipts totalling £8.2m on an investment property in Grenoble.

Strategy

The strategy of the business over the last two years has continued to focus on the development of innovative complementary products that build upon the strength of the ID photobooth business and offer diversified revenue and profit streams for the future. Progress has been made this year with the first material orders for our award winning Photobook Maker. We are also expanding the Photobook Maker range to incorporate inkjet technology, with the potential of significant business with major players in this area, further strengthening our position as market leader in the field of instant photobooks. Considerable effort has also been expended on the further development of the Pocketbook Maker which we believe has a strong market potential.

In addition, we have gone through an extensive process of examining every aspect of our core photobooth business, looking for new mechanisms to improve the scale and reach of our operations, selecting the best sites available and improving commercial terms wherever we are able. Our plan is to drive better performance by re-energising this business with the progressive introduction of new booths. We have launched in France our next generation photobooth – the Photobooth by Starck – which we believe will progressively refresh the marketplace, and we have further new products under development which bodes well for the future.

Employees

On behalf of the Board, I would like to extend thanks to all those who worked for the Group during the year, for their individual contributions to an improved result, despite even more challenging market conditions.

another year of steady progress

Dividends

Having reintroduced a dividend last year, with payments totalling 1.25 pence per share, we are in a position to fund a material increase and we are pleased to be recommending a final dividend of 1.0 pence to give a total dividend for the year of 2.0 pence, representing an increase of 60% over the year.

If approved at the Annual General Meeting on 6 October 2011, the final dividend will be paid on 7 November 2011 to shareholders on the register at the close of business on 23 September 2011. The ex-dividend date is 21 September 2011.

total dividend for the year of 2.0 pence

Outlook

Our balance sheet has been considerably strengthened by the improvements in operational performance over the last two years and this places the business in a strong position both to continue to fund its new product development as well as dividend growth. Additionally, it increases the Company's flexibility to add to its current portfolio of businesses if opportunities arise.

The Group will continue to look for further OEM orders for its new Photobook Makers, to consolidate the excellent start it has made this year and there are clear opportunities for new product introduction in its substantial core Photobooth operations.

Subject to the risks and uncertainties detailed in the Business and financial review, the Board once again looks forward to an improved financial performance over the coming year.

John Lewis
Non-Executive Chairman

the Board once again looks forward to an improved financial performance over the coming year

Business and financial review

Serge Crasnianski
CHIEF EXECUTIVE OFFICER

Françoise Coutaz-Replan
GROUP FINANCE DIRECTOR

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 photo kiosks, photobook makers, amusement machines and business service equipment.

Sales and 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.

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

The Group continued to improve its overall performance. Geographically, the Asian business was adversely affected by the earthquake in Japan, but nevertheless maintained its profitability while Europe and the UK both improved.

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)

	Revenue			Operating profit		
	2011	2011†	2010	2011	2011†	2010
Year to 30 April	**£m**	**£m**	£m	**£m**	**£m**	£m
Continental Europe	**122.9**	**126.7**	128.0	**13.3**	**13.7**	12.3
UK & Republic of Ireland	**53.6**	**53.8**	55.8	**2.0**	**2.0**	(0.4)
Asia	**43.3**	**39.0**	38.7	**3.1**	**2.7**	3.2
	219.8	**219.5**	222.5	**18.4**	**18.4**	15.1

† trading results of overseas subsidiaries converted at 2010 exchange rates
Continuing operations only and before special items

Continental Europe, which includes the great majority of Sales & Servicing revenue, once again comprised the largest element of reported Group revenue and contributed the majority of Group operating profit. Substantially all Group overheads are charged against the UK & Republic of Ireland.

2011 Revenue

Continental Europe – £122.9
UK & Republic of Ireland – £53.6
Asia – £43.3

Operations

	Revenue			Operating profit		
	2011 £m	2011† £m	2010 £m	2011 £m	2011† £m	2010 £m
Year to 30 April	**176.8**	**175.1**	172.4	**21.2**	**21.1**	16.5

† trading results of overseas subsidiaries converted at 2010 exchange rates
Continuing operations only, before special items and excluding associates

Operations contributed 80% (2010: 78%) of revenue. Divisional revenue (on a constant currency basis) increased by 1.5%, but operating profit rose by 27.9%, with good improvements in both the UK and France.

At the year end, the total number of vending machines sited worldwide was 43,700 (2010: 43,850), the small reduction in the year comprising an increase by almost 1,000 in the number of photobooths combined with a reduction in the quantity of low cost amusement machines. Photobooths represent more than half of the sited machines. 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.

Photo-Me's Operations business is global, trading in 15 industrialised countries. However, 87% of sites are located in three territories – the UK & Ireland, France and Japan. By area, Continental Europe accounted for 18,300 (2010: 18,050) sites; the UK & Ireland for 16,850 (2010: 17,550); and Asia for 8,550 (2010: 8,250). Increasing the number of photobooth sites remains a priority for the Group. Vending units provide good cash flow, supporting corporate developments including investment in R&D to bring forward the next generation of products.

Revenue from Operations (on a constant currency basis) was down 3.3% in the UK & Ireland, with the general economic background continuing to be difficult. Profitability was higher, however, with the business able to secure lower prices for raw materials as well as benefiting from a continued focus on all costs. In Europe, Operations revenues rose by 4.7% with the largest territory, France, well ahead of this overall figure. Operating profits in Europe were 37.5% higher than last year and the Group is already beginning to see the benefit of the law change in France which protects the private sector's position in the provision of photos for biometric passports. Japanese revenues and profits were broadly unchanged with the most important two months of the year for trading being adversely affected by the after-effects of the earthquake and tsunami. With the vending machine industry as a whole continuing to be affected by restrictions on electricity consumption it is unlikely that the Japanese business will see much improvement in the current financial year.

European profits up 37.5%

Business and financial review continued

Photobooths

Photobooths are an efficient and competitively-priced provider of ID and fun photographs and represent a mature cash generative business. Over the year the number of photobooths increased by nearly a thousand, bringing to 22,400 the total number of sites internationally.

The Group's strategy is to re-energise these operations through an active management programme – increasing and optimizing site coverage as well as introducing new and innovative product. One example of this is the Photobooth by Starck – the Group's new "designer booth" with social network connectivity – which is being introduced in the current financial year into the European marketplace, beginning in France. Since the year-end, some 30 machines have been installed and initial results have been promising.

The target for 2011/12 is to site several hundred of these new photobooths and to accelerate installations in the following year.

strategy to introduce new and innovative product

Due to the bureaucratic processes needed in order to open new territories within China, the number of booths has remained static over the year, although the Group does now have a licence to operate in Beijing. The potential for this market remains large and the Group is committed to its development but it is apparent that it will now take longer to come to fruition than previously thought.

Digital printing kiosks

Digital printing kiosks are very much focused in Continental Europe, particularly France and Switzerland.

The market in France for digital printing kiosks remains positive and the introduction of the Group's new "all-in-one" kiosk, which also incorporates a pocketbook maker, has been well received, and has generated improved revenues. This pocketbook equipment (producing a printed 10x15cm photo album) gives Photo-Me a unique market offering. It also shows potential in the UK, where market tests are currently starting.

Amusement and business service equipment

Overall, this activity suffered against a poor general economic backdrop. However, in the UK, the Group remains a major player and the largest operator of children's rides.

Sales & Servicing

	Revenue			Operating profit		
	2011 £m	**2011† £m**	2010 £m	**2011 £m**	**2011† £m**	2010 £m
Year to 30 April	**43.0**	**44.4**	50.1	**0.5**	**0.6**	2.8

† trading results of overseas subsidiaries converted at 2010 exchange rates
Continuing operations only, before special items and excluding associates

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.

On a constant currency basis, revenue decreased by 11.3% and operating profit by 76.9%. However, the division still generated a small operating profit.

The decrease in revenue and profit is attributable to KIS (the R&D and manufacturing unit in France), where results have been disappointing, due to the costs associated with the launch of new products in the second half of the financial year. Over the last three years the business has been rationalised and restructured, with a particular focus on extracting efficiencies in product manufacturing. Further improvements are being sought and we are in the process of reorganising the R&D function into individual business units, to improve the focus of each of these units in delivering new products.

The results of the division have been helped by improved performance from other Group Sales & Servicing activities.

The highlight for the year was the receipt of two orders totalling 1,300 machines from Mitsubishi and 1,000 machines from Fuji for the Group's Photobook suite of products. Discussions are ongoing regarding further substantial orders.

large orders from Mitsubishi & Fuji

The Group is looking to incorporate inkjet technology into the Photobook Maker range. This will bring the potential of significant business with major players in this area, and will strengthen the Group's position as market leader in the field of instant photobooks.

Photo-Me has had considerable interest from a number of OEMs and views the OEM route as the optimum for maximizing the sales potential of products going forward. In addition it will allow the Group to source the units (when required) from low-cost manufacturing areas, allowing KIS to focus its resources on final assembly, customization and quality control.

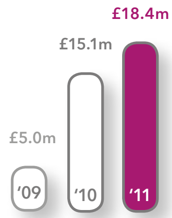
Business and financial review continued

Financial Review

Statement of comprehensive income

The following table summarises the results, excluding special items and discontinued activities, analysed between the two divisions, Operations and Sales & Servicing:

	Revenue			Operating profit		
	2011 £m	2011† £m	2010 £m	2011 £m	2011† £m	2010 £m
Operations	**176.8**	**175.1**	172.4	**21.2**	**21.1**	16.5
Sales & Servicing	**43.0**	**44.4**	50.1	**0.5**	**0.6**	2.8
Group overheads				**(3.3)**	**(3.3)**	(4.2)
	219.8	**219.5**	222.5	**18.4**	**18.4**	15.1



† trading results of overseas subsidiaries converted at 2010 exchange rates

Unlike the previous year, foreign exchange rate movements had little effect on the year's reported revenue and operating profit, both divisionally and centrally.

Turnover decreased by 1.2% to £219.8m on a reported basis.

Before special items, EBITDA from continuing operations was up 7.5% to £47.6m (2010: £44.2m) representing 21.6% of revenue (2010: 19.9%).

Operating profit improved materially from £15.1m (before special items) to £18.4m.

Net finance costs (before special items) were further reduced to £0.4m (2010: £1.0m) and the pre-tax profit before special items increased by 28.3% to £18.0m (2010: £14.0m)

There were no special items this year; and as a consequence, the reported results (after special items in 2010) from continuing operations show a substantial improvement, with a pre-tax profit of £18.0m (2010: £9.3m) and an after tax profit of £13.8m (2010: £6.8m).

The reported fully diluted earnings per share from continuing operations were 3.74p (2010: 1.85p).

operating profit improved to £18.4m

earnings per share doubled to 3.74p

Statement of financial position

Shareholders' equity totalled £87.8m (2010: £77.6m), equivalent to 24.3p (2010: 21.5p) per share.

Cash generation has remained strong and we finished the year with a net cash balance of £40.7m, leaving the Group well placed for the future. This was aided by the advance rental receipts of £8.2m on an investment property in Grenoble. The improvement in the net cash position has nevertheless been very substantial over the past two years, with a net change of £64.2m from net debt of £23.5m at 30 April 2009.

net cash balance £40.7m

Funding and treasury policy

The £32.6m net cash inflow is explained in the following summarised cash flow statement:

	2011 £m	2010 £m
Opening net cash/(debt)	**8.1**	(23.5)
Cash flow		
Operating profit from continuing operations	**18.4**	10.5
Depreciation	**29.2**	29.2
Impairment	**-**	1.2
Working capital	**10.7**	7.1
Taxation	**(2.3)**	0.7
Interest paid	**(0.8)**	(0.9)
All others	**0.1**	(0.1)
Operating cash flow	**55.3**	47.7
Use of cash flow		
Outflow from disposal of subsidiaries	**-**	(2.4)
Net capital expenditure	**(19.5)**	(13.9)
Dividends paid	**(4.5)**	-
All others	**1.3**	0.2
	(22.7)	(16.1)
Net cash inflow	**32.6**	31.6
Closing net cash	**40.7**	8.1

THE YEAR IN REVIEW

Business and financial review continued

Strong cash flows generated from operations of £55.3m reflected the increase in underlying profits, and the focus of the Group on the improvement in working capital; it also benefited from the favourable effect of assignment of future rental receipts on the investment property in France.

Capital expenditure was higher than last year, following the Group's priority to increase the number of photobooths sited.

The dividend, resumed last year, was paid during the period and resulted in a £4.5m outflow.

At the year end, the Group reported a net cash balance of £40.7m.

strong cash flows generated

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.

The Group's policy is to use a mixture of long-term and short-term borrowings. Surplus cash is placed in bank deposits and other investments with high credit rating and kept under constant review.

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

Financial instruments

The Group's principal financial instruments comprise bank loans, finance leases and overdrafts. These instruments are used to raise finance for the Group's operations and to cover capital expenditure and working capital requirements.

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 a variety of financial risks, including changes in foreign exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks for the Group. The Board reviews and agrees policies for managing risks.

Foreign exchange risk

The Group has a number of overseas subsidiaries whose functional currency is not Sterling. The principal currencies of the Group are Sterling, Euro, Swiss francs and Japanese yen. As a result, changes in exchange rates can impact on the net assets of the Group's balance sheet. Individual subsidiaries are exposed to exchange rate movements as a result of selling or purchasing in foreign currencies. Hedges may be taken out to cover forward foreign exchange contracts to assist in managing the exchange risk from trading. Any amounts hedged are generally short-term (less than one year) and are monitored for their effectiveness.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in interest rates. The Group finances its operations through a mixture of retained profit, cash balances and bank borrowings. The Group borrows in the desired currencies at both fixed and floating rates of interest. The Group regularly monitors the possibility of switching from floating to fixed rate and from fixed to floating. It also monitors the possibility of using cap and floor arrangements. The Group may also take out derivative contracts to limit interest rate exposure.

Liquidity risk

The Group's objective is to ensure adequate facilities are available and to maintain a balance between continuity of funding and flexibility, through use of overdrafts, bank loans and finance leases. As already stated, at 30 April 2011 the Group had a net cash balance of £40.7m. Surplus funds are generally available at short notice.

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.

	2011	2010	Change
Vending sites†:			
Total	**43,700**	43,850	-0.3%
Photobooths	**22,400**	21,450	+4.4%
Digital printing kiosks & photobook makers	**5,050**	5,150	-1.9%
Other vending equipment	**16,250**	17,250	-5.8%
Revenue†:			
Total	**£219.8m**	£222.5m	-1.2%
Operations	**£176.8m**	£172.4m	+2.5%
Sales & Servicing	**£43.0m**	£50.1m	-14.2%
Underlying EBITDA (excluding special items)†	**£47.6m**	£44.2m	+7.5%
Underlying operating profit (excluding special items):			
Total	**£18.4m**	£15.1m	+£3.3m
Operations	**£21.2m**	£16.5m	+£4.7m
Sales & Servicing	**£0.5m**	£2.8m	-£2.3m
Group overhead	**£(3.3)m**	£(4.2)m	+£0.9m
Increase in net cash position	**£32.6m**	£31.6m	+£1.0m
Gearing ratio	**-**	-	-
Gross capital expenditure	**£20.6m**	£15.2m	+£5.4m
Depreciation and amortisation	**£29.2m**	£29.2m	-
Research and development expenditure (including amounts capitalised)	**£4.1m**	£3.9m	+£0.2m
Research and development expenditure as a percentage of Sales & Servicing revenue (including inter-segment sales)	**6.4%**	5.5%	+0.9%

† Continuing operations

EBITDA
£47.6m

Financial objective

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

Risks and Uncertainties

The Group's operational performance and growth are influenced and impacted by a number of risks.

The following key risks have been identified by the Board:

Risk related to the economic backdrop

- Financing difficulties for our customers might reduce the level of sales of equipment
- Operations revenue might suffer from a further contraction of consumer spending
- Volatility in foreign exchange rates might impact the Group's turnover and margins

Operational risks

- A reduction in the retail site-owner base, impacting on Operations revenue and reducing the market for Sales & Servicing
- The Sales & Servicing business is heavily dependant on the ability to secure further material orders for the Photobook maker suite of products

Risks related to regulation

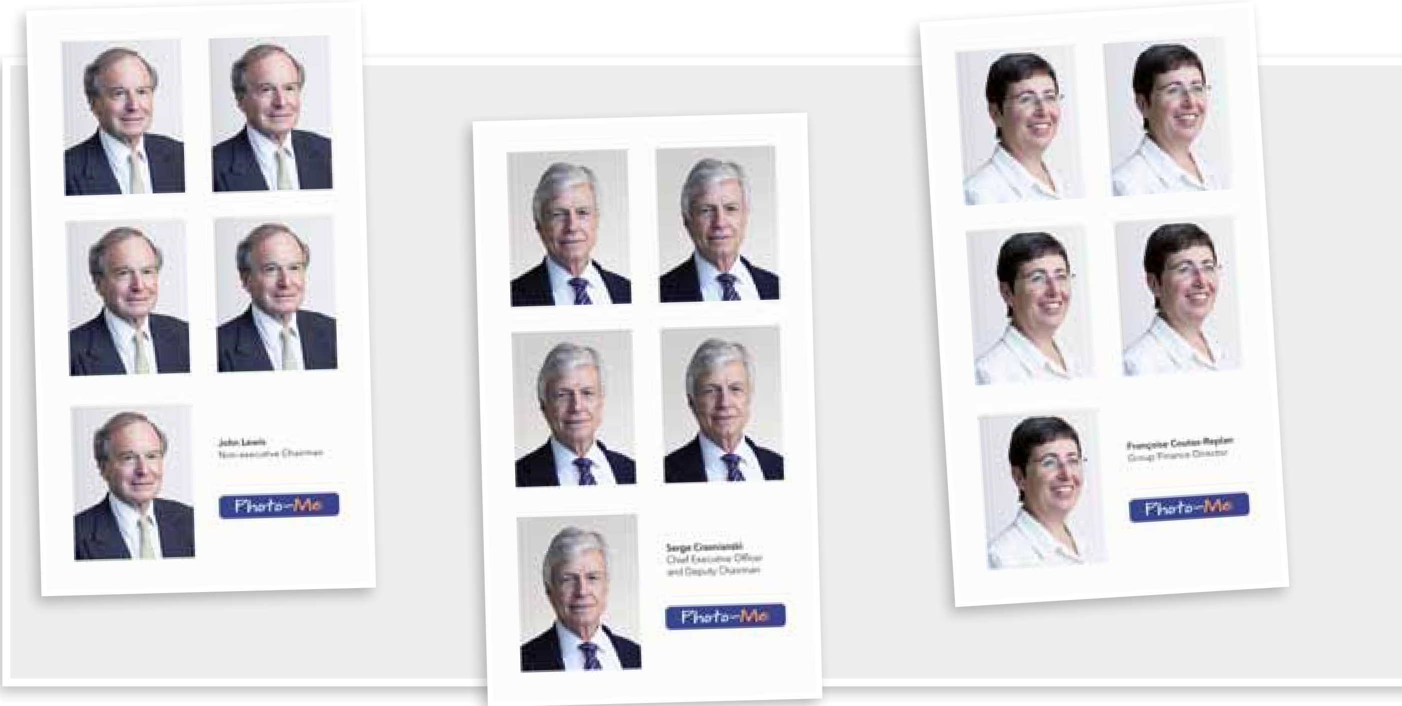
- Operations revenue might be adversely affected if governments centralise the production of ID photos in connection with the implementation of biometric passports and other applications

Some of these risks are beyond the control of the Group but the Board is continuously analysing and assessing the risks faced and improving the policies and plans to manage the risks identified.

Serge Crasnianski
Chief Executive Officer

Françoise Coutaz-Replan
Group Finance Director

Board of directors and secretary



John Lewis OBE
Non-executive Chairman

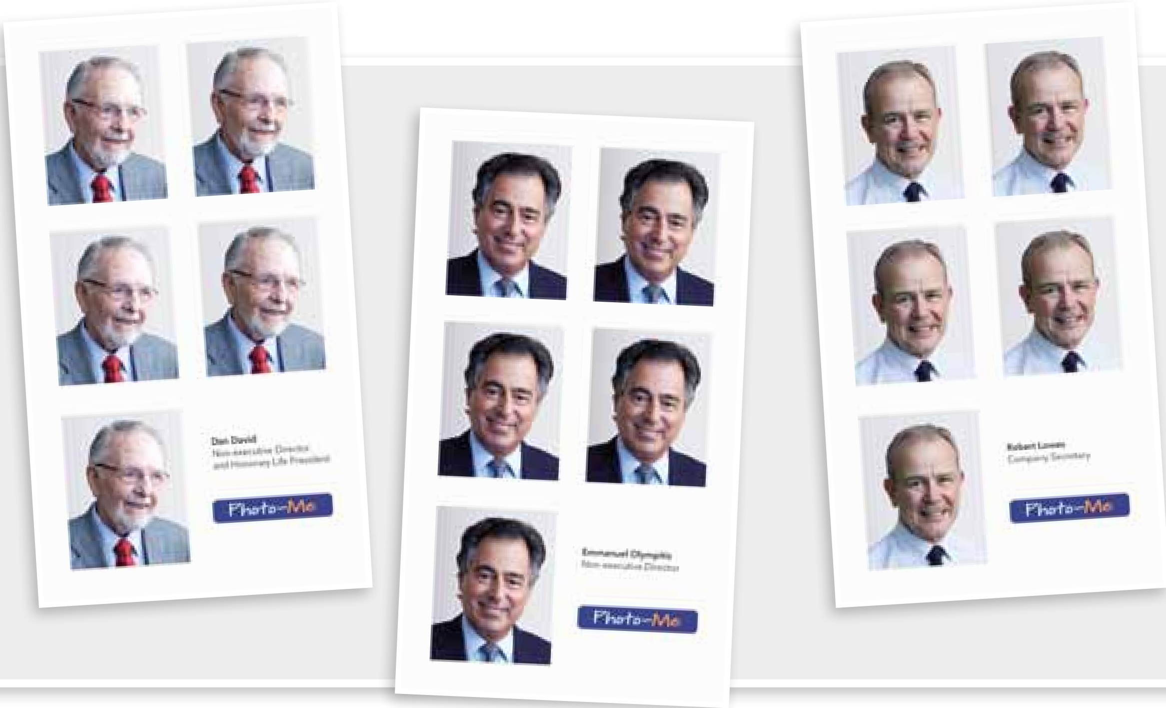
Joined the Board in July 2008 and appointed Chairman on 17 May 2010. Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. Previously a practising solicitor and currently a consultant to Eversheds. Currently a Director of AIM traded company, Prime People plc as well as various private companies. Served as Chairman of Cliveden Plc and Principal Hotels plc and as Vice Chairman of John D Wood & Co plc and Pubmaster Group Ltd.

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.

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.



Dan David

Non-executive Director and Honorary Life President

Appointed to the Board in July 2009. Previously served on the Board from 1968 to 2007, as Executive Chairman from 1992 and as Non-executive Chairman from 1998 until 2005. Director of GLG Global Convertible Fund Ltd., a member of the Board of Governors of Tel Aviv University. Founder of the internationally recognised Dan David Prize. Knight and Commander of the French Republic and Commander of the Italian Republic in the Order of Merit.

Emmanuel Olympitis

Non-executive Director

Appointed to the Board in December 2009. Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee. Previous directorships include China Cablecom Holdings Limited (NASDAQ), Canoel 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 Aitken Hume International plc and Executive Chairman of Johnson & Higgins Ltd.

Robert Lowes

Company Secretary

Joined the Group in 1981. Served as Company Secretary from 1994 to April 2008 when appointed as an interim Director. Resigned as a Director in July 2008, returning to the position of Company Secretary.

Report of the directors

The directors submit to the shareholders their report and the audited financial statements of Photo-Me International plc for the year ended 30 April 2011. The Chairman's statement, Business and financial review and 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 and business service equipment. Sales and servicing comprises the manufacture, sale and after-sale servicing of both the above-mentioned equipment and a range of photo-processing equipment, including photobook makers and minilabs.

The principal subsidiary and associated undertakings of the Group are shown on page 99.

Results and dividends

The results for the year are set out in the Group statement of comprehensive income on page 42.

The directors recommend a final dividend of 1.0p per Ordinary share which, if approved at the Annual General Meeting, will be paid on 7 November 2011 to shareholders on the register at 23 September 2011 (ex-dividend date: 21 September 2011). This, together with the interim dividend of 1.0p per share paid on 6 May 2011, makes a total dividend for the year of 2.0p per Ordinary share.

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 is 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 £4,901,000 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 13 to the financial statements.

Employees

Information on the Group's employment practices is contained within the Corporate responsibility statement on pages 29 and 31.

Board of directors and their interests

Details of the current directors of the Company can be found on pages 20 to 21, together with a brief biography of each director. All of the current directors served on the Board throughout the year under review.

The other director who served during the year was Hugo Swire, who resigned from the Board on 14 May 2010 in order to take up the position of Minister of State for Northern Ireland in the new UK Government.

The director retiring by rotation and being put forward for re-election at the Annual General Meeting this year is John Lewis.

Details of the directors' contracts, emoluments and interests in shares and share options are given in the Remuneration report on pages 32 to 38.

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.

Substantial shareholders

As at 28 June 2011, 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
Serge Crasnianski (director)	79,783,450	22.08
Western Management Overseas Ltd	65,963,267	18.25
Dan David (director)	47,579,318	13.17
Schroder Investment Management Limited	42,560,528	11.78
Norges Bank	14,753,663	4.08
Legal & General Group Plc	10,919,841	3.02

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.

The interests of Dan David include 45,579,318 shares in which his interest is non-beneficial.

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 22 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 2011, the number of shares in issue has increased to 368,849,899, of which 361,344,899 shares carry voting rights (the 7,505,000 treasury shares carry no voting rights).

Authority to purchase shares

The Company will seek approval at the 2011 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 Resolution or the conclusion of the next Annual General Meeting.

The Company made no repurchases of shares in the year to 30 April 2011. The Company holds 7,505,000 Ordinary shares (2.0% of the issued Ordinary shares) purchased in previous years, as treasury shares, which may be utilised for the issue of shares under the Company's employee share plans or can be resold for cash.

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.

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 Services 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 report on pages 25 to 28. The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

The Company is a party to a number of banking agreements which, upon a change of control of the Company, could be terminable by the banks concerned. The Company also has 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.

Report of the directors continued

Related party transactions
Details of related party transactions are set out in note 31 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 2011 was 43 days (2010: 46 days).

Going concern
Having reviewed budgets, cash flow forecasts, 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 16 to 19 and note 17 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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Annual General Meeting
The Notice of the AGM, to be held on 6 October 2011, is sent to all shareholders. 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

Robert Lowes
Company Secretary

28 June 2011

Corporate governance
(forming part of the Report of the directors)

The Financial Services Authority requires listed companies to disclose, in relation to Section 1 of the 2008 Combined Code on Corporate Governance, how they have applied its main principles and whether they have complied with its provisions throughout the financial year.

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

The Board

During the year under review, there was one resignation from the Board, Hugo Swire MP, who resigned from his position as non-executive Chairman on 14 May 2010 in order to take up a position in the new UK Government. John Lewis, previously an independent non-executive director, was appointed as non-executive Chairman on 17 May 2010.

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, Serge Crasnianski served as Chief Executive Officer.

For the period since 17 May 2010, the Company acknowledges that its Board structure was non-compliant with the Combined Code provision that, as a 'smaller company' (as defined by the Code), the Company did not have two independent non-executive directors excluding the Chairman.

The Company had no Senior Independent non-executive director for the period from 17 May 2010, when John Lewis, who previously held that position, was appointed Chairman.

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 AGM 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. 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 five or six 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.

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

Corporate governance continued

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	7	2	4	–
	Number of meetings attended (maximum possible)			
Director				
F Coutaz-Replan	7(7)	n/a	n/a	n/a
S Crasnianski	7(7)	n/a	n/a	n/a
D David	7(7)	n/a	n/a	n/a
J Lewis	7(7)	2(2)	4(4)	–(–)
E Olympitis	7(7)	2(2)	4(4)	–(–)
H Swire	1(1)	n/a	n/a	n/a

Board Committees

The Audit Committee

The Audit Committee consists entirely of non-executive directors. For the whole of the year under review, Emmanuel Olympitis served as Chairman of the Committee and John Lewis (now Chairman of the Company) served as a member of the Committee. Hugo Swire (Company Chairman) also served as a member until his resignation on 14 May 2010. The Combined Code permits a smaller company's Chairman to be a member of the Audit Committee. The Board considers that Emmanuel Olympitis has suitable recent and relevant financial experience to satisfy the requirements of the Combined Code. However, for the period from 17 May 2010, the Company did not comply with the Combined Code due to the Committee not containing at least two independent non-executive directors excluding the Company's Chairman.

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

Meetings are normally held at least twice per year. The Group Finance Director, representatives of the external auditors and the Group Internal Audit Manager 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. 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 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.

KPMG Audit Plc have been the external auditors of the Group since December 2008. The Audit Committee is satisfied with the effectiveness, objectivity and independence of the external auditors and they will be recommended to shareholders for re-appointment at the AGM.

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 initially comprised John Lewis (Committee Chairman), Emmanuel Olympitis and Hugo Swire (Company Chairman). Following the resignation of Hugo Swire and the appointment of John Lewis as Company Chairman, from 17 May 2010 the composition of the Committee was non-compliant with the provisions of the Combined 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 Company Chairman. During this period, the Committee comprised only John Lewis (Company Chairman and Committee Chairman until 5 July 2010) and Emmanuel Olympitis (Committee Chairman from 5 July 2010).

The Committee meets at least once per year. Four meetings were held in the year to 30 April 2011.

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 32 to 38 provides details of how the Committee applies the directors' remuneration principles of the Combined Code.

The Nomination Committee

During the year under review, the Nomination Committee initially comprised Hugo Swire (Committee Chairman), John Lewis and Emmanuel Olympitis. Following the resignation of Hugo Swire, John Lewis was appointed Committee Chairman on 17 May 2010 and continued to serve on the Committee with Emmanuel Olympitis for the remainder of the year. From 17 May 2010 the composition of the Committee was non-compliant with the provisions of the Combined Code which requires the Nomination Committee of a smaller company to comprise at least two 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.

The Chairman also meets with major shareholders and has contact with them, as and when required. When appointed, the Senior Independent non-executive director and, where appropriate, other non-executive directors, are 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 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.

Internal control

The Board is ultimately responsible for the Group's systems of internal control and risk management, and for reviewing its 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.

Corporate governance continued

Internal control continued

The Audit Committee has noted that during the year under review, there was a hiatus in the internal audit process until the appointment of a new Group Internal Audit Manager in January 2011. The Group Internal Audit Manager (who reports directly to the Audit Committee) has reviewed operations in a number of Group companies since his appointment. The Audit Committee receives reports from the Group Internal Audit Manager 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.

Statement of compliance with the Combined Code

The Company has complied throughout the year with the provisions of the Combined Code with the exception of those matters which have been identified and explained above, being:

- for the period from 17 May 2010, the structure of the Board was non-compliant as the Board did not contain two independent non-executives excluding the Chairman, as defined by the Code (Provision A.3.2);
- for the period from 17 May 2010, the Company had no Senior Independent non-executive director (Provision A.3.3); and
- for the period from 17 May 2010 the composition of the Audit, Remuneration and Nomination Committees was non-compliant, (Provisions C.3.1, B.2.1 and A.4.1).

Corporate responsibility

Our approach to corporate responsibility

The Group recognises its responsibilities to 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 CR

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 lies primarily with national business managers, who are best placed to ensure compliance with national legislation and market expectations.

Each Group company contributes to an annual Group-wide risk assessment process, which includes environmental, health & safety and other corporate responsibility issues. The Board reviews Group-wide performance on corporate responsibility within the annual risk 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 (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 photobooths 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 photobooths 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 safety and health 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.

Last year Photo-Me became a member of the British Safety Council demonstrating our commitment to safety and environmental best practice. We have continued this partnership which gives Photo-Me access to expert advice and quality training resources which will enhance our safety and environmental performance.

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 produced 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. An earlier review of our health and safety arrangements resulted in the development of new policies and procedures. Experience gained from the initial implementation of these new arrangements forms part of the ongoing review process for the continued improvement in safety performance. As a result the policy and procedures have further been updated and the continuing implementation plan for the coming year focuses on health & safety training needs for all employees. 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.

In the UK, the Company is accredited under the SAFE contractor 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 and the development of regional sub-committees.

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:

- reducing the amount of obligated waste generated. For example despite increases in regulatory targets for packaging we are consistently reducing the amount of obligated waste year on year with the 2010 return showing a 26% reduction;
- the recovery, refurbishment and resale of electrical equipment such as minilabs and children's rides which promotes 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 the photobooths during closing hours which saves around 30% of power consumption on site
- through remote telemetry systems we are 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 photobooths. The new Starck photobooth uses the latest LED lighting which also eliminates the hazardous waste associated with fluorescent tubes
- CRT monitors are being replaced 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 CO_2 emissions. Since 2008 we have consistently reduced the average CO_2 emissions, year on year. This is also supported by the Company's new 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 Combined 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, with the exception of the constitution of the Remuneration Committee, the Board confirms that the Company has complied throughout the relevant year with the provisions of the Combined Code relating to directors' remuneration.

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

From 1 May to 14 May 2010:
John Lewis (Committee Chairman), Hugo Swire and Emmanuel Olympitis

From 15 May to 4 July 2010:
John Lewis (Committee Chairman) and Emmanuel Olympitis

From 5 July 2010 to 30 April 2011:
Emmanuel Olympitis (Committee Chairman) and John Lewis

For the period from 17 May 2010 the composition of the Committee was non-compliant with the provisions of the Combined 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 Company Chairman. During that time the Committee comprised only one independent non-executive director (from 5 July 2010 as Committee Chairman) and the Company Chairman.

The Committee is advised by Aon Hewitt Limited (operating through the brand Hewitt New Bridge Street), who have been appointed by the Committee and who advise it on various matters relating to the remuneration of the Chairman, executive directors and senior executives. Hewitt New Bridge Street also provide advice to the executive directors in respect of the remuneration of non-executive directors. Under long-standing relationships, Aon Hewitt Limited have also provided pension scheme management and actuarial services to the Company and Aon Limited have provided 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 Hewitt New Bridge Street.

The Committee also receive 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 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 comprise the following main elements:

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

Basic salary

Since his appointment as Chief Executive Officer, Serge Crasnianski receives a basic annual salary of £121,000 and a third party company supplying Serge Crasnianski's services to the Company receives annual fees of £325,000; in aggregate £446,000.

Françoise Coutaz-Replan, Group Finance Director, receives 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, and the Committee has determined that no increases will be applied on 1 May 2011.

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. The whole of Serge Crasnianski's bonus was based on pre-tax profit performance, with Françoise Coutaz-Replan's bonus being based on the attainment 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 (before special items) improved by more than 15% for the year to 30 April 2011, a 100% bonus will be paid to Serge Crasnianski and has decided that a 40% bonus will be paid to Françoise Coutaz-Replan in respect of 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.

Remuneration report continued

Share options continued

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

Options were granted to directors under the Scheme on 29 January 2009 and 20 January 2010 and are summarised in Table 3 on page 37. The only option awards granted in the year under review were made on 12 July 2010 to other staff, no directors benefited from those awards. The performance condition that applies to the January 2009 grants is based on the extent to which (if at all) the Company's adjusted EPS for the financial year ending 30 April 2011 ("EPS 2011") reaches a sliding scale of challenging EPS targets. No part of an option will become exercisable unless adjusted EPS 2011 is at least 1.0p, in which case an option will become exercisable as follows:

EPS 2011	Portion of option that becomes exercisable
1.00p	Up to 25% of salary
1.75p	Up to 50% of salary
2.50p	Up to 75% of salary
Between the above points	On straight-line basis between the above

None of the options awarded in January 2009 exceeded 75% of an individual's salary. As the EPS actually achieved for the year to 30 April 2011 exceeds 2.50p, all options granted in January 2009 will be capable of being exercised from 29 January 2012 (providing that they have not lapsed for other reasons).

The performance condition that applies to the January 2010 grants is based on the extent to which (if at all) the Company's adjusted EPS for the financial year ending 30 April 2012 ("EPS 2012") reaches a sliding scale of challenging EPS targets. No part of an option will become exercisable unless adjusted EPS 2012 is at least 2.4p, in which case the options 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 in January 2010 to Françoise Coutaz-Replan did not exceed 75% of her salary.

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

At present, options over approximately 1.6% 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 Stakeholder Pension Plan, to which the Company contributes 5% of their basic UK salaries only. Company contributions at the rate of 5% of their basic UK salaries were:

	Note	2011 £	2010 £
Françoise Coutaz-Replan	1	**7,500**	4,375
Thierry Barel	2	-	980
Jean-Luc Peurois	3	-	771
Richard Seurat	4	-	3,808
		7,500	9,934

Notes:
1. Françoise Coutaz-Replan's pension contribution commenced from 1 October 2009.
2. Thierry Barel's pension contributions ceased on his resignation on 3 July 2009.
3. Jean-Luc Peurois' pension contributions ceased on his death on 5 July 2009.
4. Richard Seurat's pension contributions commenced on 1 March 2010 and ceased on his resignation on 30 April 2010.

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 and may have an additional contract with a subsidiary company overseas. 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 of 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 practice.

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.

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. The remuneration of the Chairman will not be reviewed until the composition of the Remuneration Committee is again compliant with the Combined Code.

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 received any benefits-in-kind, apart from Dan David who benefits from private health insurance, in recognition of his position as Life President.

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.

Hugo Swire resigned from his position as non-executive Chairman and director on 14 May 2010, following his appointment as Minister of State for Northern Ireland within the new UK Government. In recognition of the contribution and commitment of Hugo Swire during his time as Chairman, the Board agreed to an ex-gratia payment of £50,000 to him following his resignation.

	Note	Date of last appointment	End of period of appointment
Non-executive directors			
Dan David		AGM 2009	AGM 2012
John Lewis		AGM 2008	AGM 2011
Emmanuel Olympitis		AGM 2010	AGM 2013
Hugo Swire	1	AGM 2008	n/a

Note:

1. Hugo Swire resigned from his position as non-executive Chairman and director on 14 May 2010.

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.

GOVERNANCE

Remuneration report continued

Directors' remuneration

Table 1 (Audited information)

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

		2011					2010
	Note	Salary £	Bonus[1] £	Benefits[2] £	Ex-gratia £	Total £	Total £
Executive directors							
Françoise Coutaz-Replan	3	150,000	60,000	20,548	–	**230,548**	124,447
Serge Crasnianski	4	446,000	446,000	1,312	–	**893,312**	744,977
Thierry Barel	5	–	–	–	–	**–**	183,127
Jean-Luc Peurois	6	–	–	–	–	**–**	64,033
Richard Seurat	7	–	–	–	–	**–**	419,944
Non-executive directors							
Dan David	8	36,000	–	9,034	–	**45,034**	36,612
John Lewis	9	116,718	–	–	–	**116,718**	50,000
Emmanuel Olympitis	10	44,128	–	–	–	**44,128**	16,667
Hugo Swire	11	4,615	–	–	50,000	**54,615**	120,000
		797,461	506,000	30,894	50,000	**1,384,355**	1,759,807

Notes:

1. Bonuses are those awarded in respect of performance in the financial year.
2. Benefits generally comprise: private medical insurance, company cars and overseas housing allowances.
3. Françoise Coutaz-Replan was appointed to the Board on 24 September 2009.
4. Serge Crasnianski was appointed to the Board on 6 May 2009 as a non-executive director. On 3 July 2009 he was appointed as Chief Executive Officer. The emoluments shown above include fees of £650,000 (2010: £536,666) payable to a third party in respect of making available the services of Serge Crasnianski to the Company. The 2010 emoluments shown include fees of £5,429 in respect of the two month period that he served as a non-executive director.
5. Thierry Barel resigned from the Board on 3 July 2009 and received a related payment of £92,800. Following his resignation Thierry Barel provided consultancy services to the Company in the form of ongoing advice, as required, for a nine month period ending in March 2010, for a total fee of £54,000. This consultancy arrangement was on an arm's length commercial basis and was considered by the Committee to be in shareholders' interests.
6. Jean-Luc Peurois died on 5 July 2009.
7. Richard Seurat was appointed to the Board on 26 November 2009 and resigned on 30 April 2010, receiving a related payment of £183,550.
8. Dan David was appointed to the Board on 1 July 2009.
9. John Lewis, previously a non-executive director, was appointed Chairman on 17 May 2010. The salary stated above for 2011 includes an amount of £87,538 (2010: £40,000) paid to a third party in respect of making available the services of John Lewis to the Company.
10. Emmanuel Olympitis was appointed to the Board on 1 December 2009.
11. Hugo Swire resigned from the Board on 14 May 2010 and was awarded an ex-gratia payment of £50,000.

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 except for 45,579,318 shares of Dan David's interests which are considered to be non-beneficial. The interests in Ordinary shares at 28 June 2011 are analysed between those registered in their own names, and those registered in other names.

	Note	1 May 2010	30 April 2011 (or date of resignation if earlier)	28 June 2011 Self	28 June 2011 Other	28 June 2011 Total
Executive directors						
Françoise Coutaz-Replan		29,821	**29,821**	29,821	–	29,821
Serge Crasnianski		79,783,450	**79,783,450**	63,750	79,719,700	79,783,450
Non-executive directors						
Dan David		47,579,318	**47,579,318**	–	47,579,318	47,579,318
John Lewis		–	**–**	–	–	–
Emmanuel Olympitis		45,000	**45,000**	–	45,000	45,000
Hugo Swire	1	37,820	**37,820**	n/a	n/a	n/a

Note:
1. Hugo Swire resigned from the Board on 14 May 2010.

Table 3 (Audited information)

Interests in share options

	Number of options: As at 1 May 2010 and 30 April 2011	Exercise price	Date from which exercisable	Expiry date
Françoise Coutaz-Replan	**30,000**	10.92p	29 Jan 2012	28 Jan 2016
	250,000	36.67p	20 Jan 2013	19 Jan 2017

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

No options were granted, exercised or lapsed during the year to 30 April 2011.

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

Options shown as being exercisable from 29 January 2012 and 20 January 2013 are each subject to a performance condition based upon a sliding scale of adjusted basic earnings per share targets for the years to 30 April 2011 and 30 April 2012, respectively, as detailed in the policy note on share options on pages 33 and 34.

Remuneration report continued

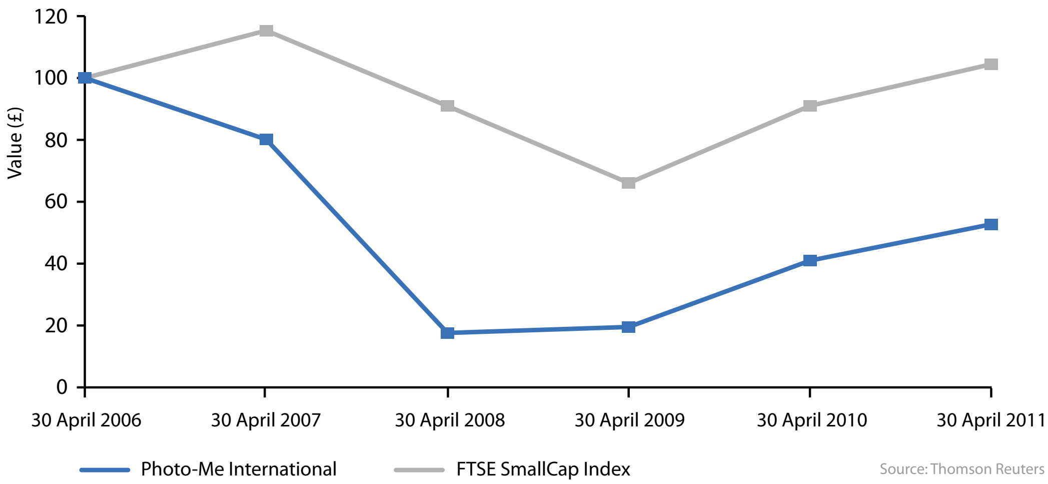
Directors' interests continued

The middle market price of an Ordinary share at the end of the financial year was 45.875p (2010: 37.00p). The highest and lowest middle market prices of an Ordinary share during the year to 30 April 2011 were 79.75p and 30.00p respectively.

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 the last four years 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).

Total shareholder return



This graph shows the value, by 30 April 2011 of £100 invested in Photo-Me International on 30 April 2006 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
28 June 2011

Statement of directors' responsibilities
in respect of the Annual Report and financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Report of the 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

We confirm that to the best of our 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
Chairman
28 June 2011

Serge Crasnianski
Chief Executive Officer

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 2011 set out on pages 42 to 100. 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 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 Statement of directors' responsibilities set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2011 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 Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the directors 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 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 39, in relation to going concern;
- the part of the Corporate governance statement on pages 25 to 28 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on 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

28 June 2011

Group statement of comprehensive income
for the year ended 30 April 2011

	Notes	2011 Total £'000	2010 Before special items £'000	2010 Special items £'000	2010 Total £'000
Revenue	3	**219,820**	222,507	–	222,507
Cost of sales		**(183,142)**	(190,208)	(3,747)	(193,955)
Gross profit		**36,678**	32,299	(3,747)	28,552
Other operating income	4	**1,916**	1,574	–	1,574
Administrative expenses		**(20,295)**	(18,806)	(775)	(19,581)
Share of post-tax profits/(losses) from associates	16	**89**	(9)	–	(9)
Operating profit	3	**18,388**	15,058	(4,522)	10,536
Finance revenue	7	**476**	470	–	470
Finance cost	7	**(861)**	(1,497)	(255)	(1,752)
Profit before tax		**18,003**	14,031	(4,777)	9,254
Total tax (charge)/credit	9	**(4,252)**	(3,951)	1,498	(2,453)
Profit for year – from continuing operations		**13,751**	10,080	(3,279)	6,801
Profit for year – from discontinued operations	5	**–**			3,027
Profit for year – from continuing and discontinued operations	4	**13,751**			9,828
Other comprehensive income					
Exchange differences arising on translation of foreign operations		**3,686**			(836)
Translation reserve taken to income statement on disposal		**(10)**			(2,992)
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		**(235)**			(581)
Deferred tax on actuarial movements		**38**			181
Other comprehensive income/(expense) (net of tax)		**3,479**			(4,228)
Total comprehensive income for the year		**17,230**			5,600
Profit for the year attributable to:					
Owners of the Parent		**13,608**			9,722
Non-controlling interests		**143**			106
		13,751			9,828
Total comprehensive income attributable to:					
Owners of the Parent		**17,061**			5,512
Non-controlling interests		**169**			88
		17,230			5,600
Earnings per share (total)					
Basic earnings per share	12	**3.77p**			2.70p
Diluted earnings per share	12	**3.74p**			2.69p
Earnings per share (continuing operations)					
Basic earnings per share	12	**3.77p**			1.86p
Diluted earnings per share	12	**3.74p**			1.85p

For a definition of special items, see accounting policies note 1.22, an analysis of which is given in note 8.

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

Statements of financial position
as at 30 April 2011

	Notes	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Goodwill	13	**10,093**	10,038	**–**	–
Other intangible assets	13	**10,368**	9,735	**22**	51
Property, plant and equipment	14	**50,847**	58,997	**7,777**	10,412
Investment property	15	**1,749**	2,222	**–**	–
Investments – in associates	16	**598**	583	**258**	258
– in subsidiaries	16	**–**	–	**41,500**	41,429
Other financial assets – held to maturity	17	**1,857**	556	**–**	–
– available-for-sale		**80**	155	**–**	–
Deferred tax assets	26	**3,038**	1,034	**2,893**	658
Trade and other receivables	18	**1,947**	1,696	**–**	–
		80,577	85,016	**52,450**	52,808
Current assets					
Inventories	19	**20,858**	22,747	**1,733**	2,421
Trade and other receivables	18	**20,398**	19,295	**4,715**	4,334
Other financial assets – held to maturity	17	**14**	14	**–**	–
– available-for-sale		**23**	38	**23**	38
Current tax		**34**	408	**–**	363
Cash and cash equivalents	20	**56,212**	41,916	**13,738**	7,147
		97,539	84,418	**20,209**	14,303
Total assets		**178,116**	169,434	**72,659**	67,111
Equity					
Share capital	22	**1,844**	2,039	**1,844**	2,039
Share premium		**5,718**	5,492	**5,718**	5,492
Treasury shares		**(5,802)**	(5,802)	**(5,802)**	(5,802)
Other reserves		**21,686**	17,835	**652**	380
Retained earnings		**64,374**	57,996	**37,206**	26,538
Equity attributable to owners of the Parent		**87,820**	77,560	**39,618**	28,647
Non-controlling interests		**935**	792	**–**	–
Total equity		**88,755**	78,352	**39,618**	28,647
Liabilities					
Non-current liabilities					
Financial liabilities	23	**5,704**	17,575	**–**	6,000
Post-employment benefit obligations	24	**4,061**	3,659	**494**	79
Provisions	25	**85**	72	**3**	3
Deferred tax liabilities	26	**3,307**	3,289	**–**	–
Trade and other payables	27	**7,438**	703	**–**	–
		20,595	25,298	**497**	6,082
Current liabilities					
Financial liabilities	23	**11,700**	16,834	**6,000**	8,000
Derivative financial liability	17	**217**	122	**–**	–
Provisions	25	**4,428**	5,119	**38**	32
Current tax		**5,136**	2,425	**1**	–
Trade and other payables	27	**47,285**	41,284	**26,505**	24,350
		68,766	65,784	**32,544**	32,382
Total equity and liabilities		**178,116**	169,434	**72,659**	67,111

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

The accounts were approved by the Board on 28 June 2011.

Serge Crasnianski
Chief Executive Officer

Françoise Coutaz-Replan
Group Finance Director

Photo-Me International plc

Registered number 735438

FINANCIAL STATEMENTS

Group statement of cash flows
for the year ended 30 April 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before tax		**18,003**	9,254
Finance cost		**861**	1,752
Finance revenue		**(476)**	(470)
Operating profit from continuing operations		**18,388**	10,536
Operating profit from discontinued operations		**-**	7
Share of post-tax (profit)/loss from associates		**(89)**	9
Amortisation of intangible assets		**3,217**	2,258
Depreciation of property, plant and equipment		**25,963**	26,955
Loss on sale of property, plant and equipment		**21**	134
Impairment of inventories (special item)		**-**	1,214
Exchange differences		**697**	(40)
Other items		**(517)**	(337)
Decrease in inventories		**2,438**	51
(Increase)/decrease in trade and other receivables		**(134)**	434
Increase in trade and other payables		**442**	5,483
Increase in trade and other payables - arising from sale of rental income		**8,164**	-
Movement in provisions		**(206)**	1,180
Cash generated from operations		**58,384**	47,884
Interest paid		**(760)**	(884)
Taxation (paid)/received		**(2,279)**	660
Net cash generated from operating activities		**55,345**	47,660
Cash flows from investing activities			
Outflow from disposal of subsidiaries		**(77)**	(2,383)
Investment in intangible assets		**(3,646)**	(3,367)
Proceeds from sale of intangible assets		**2**	151
Purchase of property, plant and equipment		**(16,999)**	(11,852)
Proceeds from sale of property, plant and equipment		**1,134**	1,253
Proceeds from sale of available-for-sale investments		**-**	56
Interest received		**148**	46
Dividends received from associate		**65**	-
Net cash utilised in investing activities		**(19,373)**	(16,096)
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		**232**	58
Repayment of capital element of finance leases		**(483)**	(381)
Proceeds from borrowings		**391**	260
Repayment of borrowings		**(15,281)**	(10,355)
Increase in monetary funds		**(1,224)**	-
Dividends paid to owners of the Parent	11	**(4,512)**	-
Dividends paid to non-controlling interests		**(26)**	(48)
Net cash utilised in financing activities		**(20,903)**	(10,466)
Net increase in cash and cash equivalents		**15,069**	21,098
Cash and cash equivalents at beginning of year		**39,796**	18,616
Exchange gain on cash and cash equivalents		**1,347**	82
Cash and cash equivalents at end of year	20	**56,212**	39,796

The above figures are derived from both continuing and discontinued operations. The discontinued operations in 2010 relate to the Group's wholesale lab business. There were no cash flows in 2010 for the discontinued operation other than the outflow of £2,383,000 relating to the disposal of subsidiaries.

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

Company statement of cash flows
for the year ended 30 April 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before tax		**16,837**	4,156
Finance cost		**404**	624
Finance revenue		**(69)**	(87)
Dividends and other items		**(14,936)**	(6,370)
Operating profit/(loss)		**2,236**	(1,677)
Amortisation of intangible assets		**29**	35
Depreciation of property, plant and equipment		**5,577**	6,160
Profit on sale of property, plant and equipment		**(79)**	(80)
Movements in investment provisions and other items		**(520)**	(199)
Decrease in inventories		**697**	327
(Increase)/decrease in trade and other receivables		**(853)**	1,855
Decrease in trade and other payables		**(773)**	(5,939)
Movement in provisions		**422**	41
Cash generated from operations		**6,736**	523
Interest paid		**(224)**	(287)
Taxation paid		**(157)**	(154)
Net cash generated from operating activities		**6,355**	82
Cash flows from investing activities			
Cash acquired on transfer of business from a subsidiary		**233**	-
Purchase of investment in subsidiaries		**(163)**	-
Proceeds from disposal of subsidiaries		**-**	200
Purchase of property, plant and equipment		**(2,883)**	(1,638)
Proceeds from sale of property, plant and equipment		**145**	166
Repayments of loans advanced to subsidiaries		**179**	288
Loans advanced to subsidiaries		**-**	(286)
Movements in available-for-sale investments		**-**	56
Interest received		**69**	87
Dividends received from associate and subsidiaries		**14,936**	6,370
Net cash generated from investing activities		**12,516**	5,243
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		**232**	58
Repayment of borrowings		**(8,000)**	(3,000)
Repayment of borrowings from subsidiaries		**-**	(498)
Dividends paid to owners of the Parent	11	**(4,512)**	-
Net cash utilised in financing activities		**(12,280)**	(3,440)
Net increase in cash and cash equivalents		**6,591**	1,885
Cash and cash equivalents at beginning of year		**7,147**	5,262
Cash and cash equivalents at end of year	20	**13,738**	7,147

Group statement of changes in equity
for the year ended 30 April 2011

	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 2009	2,037	5,436	(5,802)	2,528	19,416	49,238	72,853	781	73,634
Profit for year	–	–	–	–	–	9,722	9,722	106	9,828
Other comprehensive (expense)/income									
Exchange differences	–	–	–	–	(818)	–	(818)	(18)	(836)
Translation reserve taken to income statement on disposal of subsidiaries	–	–	–	–	(2,992)	–	(2,992)	–	(2,992)
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	–	–	–	–	–	(581)	(581)	–	(581)
Deferred tax on actuarial movements	–	–	–	–	–	181	181	–	181
Transfers	–	–	–	(299)	–	299	–	–	–
Total other comprehensive expense	–	–	–	(299)	(3,810)	(101)	(4,210)	(18)	(4,228)
Total comprehensive (expense)/income for the year	–	–	–	(299)	(3,810)	9,621	5,512	88	5,600
Transactions with owners of the Parent									
Shares issued in period	2	56	–	–	–	–	58	–	58
Share options	–	–	–	–	–	37	37	–	37
Dividends	–	–	–	–	–	(900)	(900)	(48)	(948)
Sale of subsidiary	–	–	–	–	–	–	–	(29)	(29)
Total transactions with owners of the Parent	2	56	–	–	–	(863)	(805)	(77)	(882)
At 30 April 2010	2,039	5,492	(5,802)	2,229	15,606	57,996	77,560	792	78,352
At 1 May 2010	**2,039**	**5,492**	**(5,802)**	**2,229**	**15,606**	**57,996**	**77,560**	**792**	**78,352**
Profit for year	**–**	**–**	**–**	**–**	**–**	**13,608**	**13,608**	**143**	**13,751**
Other comprehensive income/(expense)									
Exchange differences	**–**	**–**	**–**	**–**	**3,660**	**–**	**3,660**	**26**	**3,686**
Translation reserve taken to income statement on disposal of subsidiaries	**–**	**–**	**–**	**–**	**(10)**	**–**	**(10)**	**–**	**(10)**
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	**–**	**–**	**–**	**–**	**–**	**(235)**	**(235)**	**–**	**(235)**
Deferred tax on actuarial movements	**–**	**–**	**–**	**–**	**–**	**38**	**38**	**–**	**38**
Total other comprehensive income/(expense)	**–**	**–**	**–**	**–**	**3,650**	**(197)**	**3,453**	**26**	**3,479**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**3,650**	**13,411**	**17,061**	**169**	**17,230**
Transactions with owners of the Parent									
Shares issued in period	**6**	**226**	**–**	**–**	**–**	**–**	**232**	**–**	**232**
Share options	**–**	**–**	**–**	**–**	**–**	**193**	**193**	**–**	**193**
Redemption of Deferred shares	**(201)**	**–**	**–**	**201**	**–**	**–**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**(7,226)**	**(7,226)**	**(26)**	**(7,252)**
Total transactions with owners of the Parent	**(195)**	**226**	**–**	**201**	**–**	**(7,033)**	**(6,801)**	**(26)**	**(6,827)**
At 30 April 2011	**1,844**	**5,718**	**(5,802)**	**2,430**	**19,256**	**64,374**	**87,820**	**935**	**88,755**

The notes on pages 48 to 100 are an integral part of these consolidated financial statements.

Details of share capital and reserves are given in note 22.

On 31 August 2010 the Company redeemed all of the 8,040,000 issued Deferred shares of 2.5p each for a total consideration of 1p.

Company statement of changes in equity
for the year ended 30 April 2011

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2009	2,037	5,436	(5,802)	382	22,690	24,743
Profit for year	–	–	–	–	4,773	4,773
Other comprehensive (expense)/income						
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	–	–	–	–	(70)	(70)
Deferred tax on actuarial movements	–	–	–	–	20	20
Total other comprehensive expense	–	–	–	–	(50)	(50)
Total comprehensive income for the year	–	–	–	–	4,723	4,723
Transactions with owners of the Parent						
Shares issued in period	2	56	–	–	–	58
Share options	–	–	–	–	25	25
Capital contribution relating to share-based payments (net of disposals)	–	–	–	(2)	–	(2)
Dividends	–	–	–	–	(900)	(900)
Total transactions with owners of the Parent	2	56	–	(2)	(875)	(819)
At 30 April 2010	2,039	5,492	(5,802)	380	26,538	28,647
At 1 May 2010	**2,039**	**5,492**	**(5,802)**	**380**	**26,538**	**28,647**
Profit for year	**–**	**–**	**–**	**–**	**18,301**	**18,301**
Other comprehensive (expense)/income						
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	**–**	**–**	**–**	**–**	**(579)**	**(579)**
Deferred tax on actuarial movements	**–**	**–**	**–**	**–**	**141**	**141**
Total other comprehensive expense	**–**	**–**	**–**	**–**	**(438)**	**(438)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**17,863**	**17,863**
Transactions with owners of the Parent						
Shares issued in period	**6**	**226**	**–**	**–**	**–**	**232**
Share options	**–**	**–**	**–**	**–**	**31**	**31**
Capital contribution relating to share-based payments (net of disposals)	**–**	**–**	**–**	**71**	**–**	**71**
Redemption of Deferred shares	**(201)**	**–**	**–**	**201**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**(7,226)**	**(7,226)**
Total transactions with owners of the Parent	**(195)**	**226**	**–**	**272**	**(7,195)**	**(6,892)**
At 30 April 2011	**1,844**	**5,718**	**(5,802)**	**652**	**37,206**	**39,618**

Details of share capital and reserves are given in note 22.

On 31 August 2010 the Company redeemed all of the 8,040,000 issued Deferred shares of 2.5p each for a total consideration of 1p.

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 2011 were authorised for issue by the directors on 28 June 2011 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 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 22.

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 principal accounting policies adopted by the Group and the Company are shown below.

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. No new standards have been adopted for this financial year.

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, including 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 17.

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 13.
2) Development costs – notes 1.4 and 13.
3) Depreciation and impairment of property, plant and equipment – notes 1.5, 14 and 15.
4) Special items – note 1.22 and 8.
5) Taxation – notes 1.17, 9 and 26.

Company

Critical assumptions and estimates for the preparation of the Company's financial statements, in addition to 3, 4, and 5 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 1.8 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.

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's 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 recoded under 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.

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.

Notes to the financial statements continued

1 Accounting policies continued
1.2 Basis of consolidation continued
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.

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 their estimated residual value over the estimated useful life of the assets 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.

Notes to the financial statements continued

1 Accounting policies continued

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.

Where the Group is lessor

Amounts due from lessees under finance lease arrangements are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to future periods so as to reflect a constant rate of return on the Group's net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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 as follows:

(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) 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.

Gains and losses arising from changes in fair value are recognised in a separate component of equity and are included in the income statement on disposal.

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.

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. Where the collection of the receivable, in the normal course of business, is due after one year, the amount is shown as a non-current asset.

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.

Notes to the financial statements continued

1 Accounting policies continued

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.

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 for senior employees only.

The Group has defined benefit pension schemes as noted in note 24.

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 fund every three years 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 24 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 investing 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

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.

Taxation is charged or credited directly to equity if it relates to items that are charged or credited to equity. Otherwise, taxation is recognised in the income statement.

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. Trade and other payables are classified as non-current if the settlement in the normal course of business is due after one year.

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 sales 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.

Notes to the financial statements continued

1 Accounting policies continued

1.20 Revenue recognition continued

Revenue from the sales 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. Dividends received from pre-acquisition profits are shown as dividend income, whereas previously they were deducted from the cost of the investment.

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.

1.22 Special items and adjusted profit

The Group's income statement and segmental analysis separately identify an adjusted profit, being trading results before special items (previously termed exceptional items). "Special items" is the term management uses to describe those items that are material items of income and expenditure which, in their opinion, due to their size or nature, require separate disclosure in the financial statements to allow a better understanding of the financial performance of the year and in comparison to prior periods and have little predictive value.

The directors believe that adjusted profit and alternative earnings per share (based on adjusted profits after tax) provide additional useful information to shareholders on underlying trends and performance. These measures are used internally and may not be directly comparable to other companies' adjusted profit measures as adjusted profit is not defined under IFRS. All adjustments to profit from operations and adjustments to earnings per share are explained in the notes below.

The Group measures performance using earnings before interest, tax, depreciation and amortisation ("EBITDA"). EBITDA is a common measure used by a number of companies, but is not defined in IFRS.

1.23 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.

1.24 Discontinued operations

The Group classifies operations as discontinued where they represent a separate major business activity or geographic area of operations, and have separate risk profiles to other business segments. The income stated for the comparative period is adjusted to disclose the discontinued operations separately from continuing operations.

1.25 Assets held for sale

The Group classifies assets held for sale, individual assets or a group of assets when the Group's carrying value will be recovered mainly through a sale of such assets, rather than continuing use in the business. Such assets are stated at the lower of carrying value and fair value, less costs to sell. No depreciation is charged in respect of non-current assets held for sale. Such assets are classified when the Board has determined that the assets' carrying value will be recovered through a sale and the Board is committed to such action, with a potential buyer in mind and the sale is expected to be completed within the next financial year.

1.26 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 30).

2 New standards, amendments and interpretations

The Group has adopted the following new standards and amended IFRS in these financial statements.

IFRS 3 (revised) Business Combinations and the associated amendments to IAS 27 Consolidated and Separate Financial Statements. This will impact on the accounting and disclosures relating to future acquisitions. Adopting this standard has had no immediate impact on the reported results or financial position of the Group.

Future changes to accounting policies

There are a number of revised standards and interpretations not all of which are applicable to the Group, which have been issued and are effective for 2012 and future reporting periods. The most significant standards and interpretations which are likely to have a more material impact on the Group's financial statements are listed below:

- IFRS 9 (2009 & 2010) - Financial Instruments, has been issued and is effective for the 2014 reporting period. The standard in its current form will require all financial assets to be measured at fair value through the income statement or at amortised cost. It clarifies the classification and measurement of financial liabilities, the de-recognition of financial assets and liabilities and deals with how to measure fair value and accounting for embedded derivatives. This standard has not yet been endorsed by the EU.

- Disclosures - Transfer of Financial Assets (Amendments to IFRS 7) has been issued and is effective for the 2013 reporting period. This will lead to additional disclosure requirements in terms of part and fully de-recognised financial assets.

- Improvements to IFRS - 2010 are effective for the 2012 reporting period and will impact on the disclosures the Group provides under IAS 34 - Interim Financial Reporting, IFRS 7 - Financial Instruments disclosures in terms of collateral obligations and the accounting for specific areas of business combinations under IFRS 3.

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.

Notes to the financial statements continued

3 Segmental analysis continued

The segment results are as follows:

	Operations £'000	Sales & Servicing £'000	Total £'000
2011			
Total revenue	**176,852**	**64,283**	**241,135**
Inter-segment revenue	**–**	**(21,315)**	**(21,315)**
Revenue from external customers	**176,852**	**42,968**	**219,820**
EBITDA	**46,080**	**4,086**	**50,166**
Depreciation and amortisation	**(24,947)**	**(3,595)**	**(28,542)**
Adjusted operating profit excluding associates	**21,133**	**491**	**21,624**
Share of post-tax profit from associates			**89**
Corporate costs excluding depreciation and amortisation			**(2,687)**
Corporate depreciation and amortisation			**(638)**
Operating profit			**18,388**
Finance revenue			**476**
Finance costs			**(861)**
Profit before tax			**18,003**
Tax			**(4,252)**
Profit for year			**13,751**
Capital expenditure	**17,067**	**3,612**	**20,679**
Corporate capital expenditure			**9**
Total capital expenditure			**20,688**
2010			
Total revenue	172,456	70,670	243,126
Inter-segment revenue	–	(20,619)	(20,619)
Revenue from external customers	172,456	50,051	222,507
EBITDA	42,213	5,522	47,735
Depreciation and amortisation	(25,713)	(2,732)	(28,445)
Adjusted operating profit excluding associates	16,500	2,790	19,290
Share of post-tax loss from associates			(9)
Corporate costs excluding depreciation and amortisation			(3,490)
Corporate depreciation and amortisation			(733)
Adjusted operating profit			15,058
Special operating items			(4,522)
Operating profit			10,536
Finance revenue			470
Finance costs			(1,752)
Profit before tax			9,254
Tax			(2,453)
Profit for the year – from continuing operations			6,801
Profit for the year – from discontinued operations			3,027
Profit for year			9,828
Capital expenditure	12,152	3,770	15,922
Corporate capital expenditure			122
Total capital expenditure			16,044

The Parent Company is domiciled in the UK. The total revenue from external customers in the UK is £50,441,000 (2010: £52,175,000) and the total revenue from other countries is £169,379,000 (2010: £170,332,000), comprising Asia £43,277,000 (2010: £38,761,000) and Continental Europe and Ireland £126,102,000 (2010: £131,571,000). 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.

Discontinued operations in 2010 represents the Group's wholesale lab business.

4 Profit for the year

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

	2011	2010		
	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Amortisation, depreciation and impairment				
Amortisation of previously capitalised research and development expenditure	**2,970**	1,972	–	1,972
Amortisation of intangible assets other than research and development	**247**	286	–	286
	3,217	2,258	–	2,258
Depreciation of property, plant and equipment				
– owned	**25,574**	26,652	35	26,687
– leased	**389**	268	–	268
	25,963	26,920	35	26,955

Amortisation of intangible assets (excluding capitalised research and development expenditure) is reflected in the income statement within cost of sales £65,000 (2010: £101,000) and administrative expenses £182,000 (2009: £185,000). Amortisation and impairment of capitalised research and development expenditure is reflected in cost of sales.

	2011	2010		
	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Operating lease rentals				
– property	**11,719**	13,500	107	13,607
– plant and equipment	**1,050**	1,203	–	1,203
	12,769	14,703	107	14,810
Inventory cost				
Cost of inventories recognised as an expense	**35,189**	43,838	278	44,116
Inventory write-downs	**-**	138	–	138
Inventory provision reversed	**(133)**	(208)	–	(208)
Inventory impairment (note 8)	**-**	1,214	–	1,214
	35,056	44,982	278	45,260

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

FINANCIAL STATEMENTS

Notes to the financial statements continued

4 Profit for the year continued

	2011	2010		
	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Other items				
Research and development current year expenditure, not capitalised	**763**	607	318	925
Own work capitalised	**(2,299)**	(5,526)	–	(5,526)
Trade receivables impairment (note 17)	**988**	75	–	75
Net foreign exchange losses/(gains)	**1,087**	151	(35)	116
Losses on sale of property, plant and equipment	**21**	134	–	134
Direct expenses for investment properties generating rental income	**94**	49	–	49

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.

Audit services	2011 £'000	2010 £'000
Audit of these financial statements	**179**	163
Fees payable to the Company's auditor and its associates for other services:		
– audit of the Company's subsidiaries pursuant to legislation	**142**	173
– other services	**25**	22
	346	358

The audit fee of the Company was £55,000 (2010: £58,000).

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.

Non-audit services

The audit of subsidiaries pursuant to legislation includes fees payable for services in relation to other statutory filings or engagements that are required to be performed.

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:

	2011 £'000	2010 £'000
Audit fees	**115**	127
Other services	**44**	7
	159	134

Summary

Total fees paid or payable to all of the Group's auditors for audit and other services were £505,000 (2010: £492,000).

Other operating income

Other operating income of £1,916,000 (2010: £1,574,000) principally includes rental income from investment property (note 15).

5 Discontinued operations

There were no discontinued operations in 2011. The discontinued operations in 2010 related to the Group's wholesale lab business.

The results of the discontinued operations are as follows:

	2010 Wholesale lab £'000
Revenue	1,759
Cost of sales	(1,504)
Gross profit	255
Administrative expenses	(248)
Profit before finance items and tax	7
Net finance cost	(1)
Profit before taxation	6
Tax	(31)
Loss from discontinued operations	(25)
Profit on sale (no tax charge/credit)	3,052
Profit from discontinued operations	3,027
Attributable to:	
– Owners of the Parent	3,027

Included in the profit on sale of £3,052,000 is a transfer from the translation reserve of £3,247,000.

During the year to 30 April 2010, there were no cash flows to report for discontinued operations, save the outflow on sale which is shown in the line, "outflow from disposal of subsidiaries" in the Group statement of cash flows and made up as follows:

Net cash outflow arising on disposal - cash consideration £170,000 less cash and cash equivalents disposed £2,553,000, net outflow £2,383,000.

6 Employees

Staff costs during the year amounted to:

	2011	2010		
Group	**Total £'000**	Continuing operations £'000	Discontinued operations £'000	Total £'000
Wages and salaries	**40,512**	41,113	701	41,814
Social security costs	**9,259**	9,425	67	9,492
Share options granted to directors and employees	**193**	37	–	37
Other pension costs				
– defined benefit schemes	**91**	146	81	227
– defined contribution schemes	**223**	158	–	158
Other post-retirement costs	**282**	238	–	238
Staff costs of employees and executive directors	**50,560**	51,117	849	51,966
Non-executive directors	**264**	237	–	237
	50,824	51,354	849	52,203

FINANCIAL STATEMENTS

Notes to the financial statements continued

6 Employees continued

Company	2011 £'000	2010 £'000
Wages and salaries	**9,627**	10,064
Social security costs	**912**	1,020
Share options granted to directors and employees	**31**	25
Other pension costs		
– defined benefit schemes	**3**	37
– defined contribution schemes	**69**	80
Staff costs of employees and executive directors	**10,642**	11,226
Non-executive directors	**264**	243
	10,906	11,469

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 32 to 38 and are summarised as follows:

	2011 £'000	2010 £'000
Directors' emoluments		
– excluding termination payments	**1,334**	1,484
– ex-gratia and termination payments	**50**	276
	1,384	1,760
Number of directors accruing benefits under defined contribution schemes	**1**	4

Included in the directors' emoluments costs are bonuses totalling £506,000 (2010: £390,000).

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

	Group		Company	
	2011	2010	**2011**	2010
Full-time	**1,098**	1,144	**290**	303
Part-time	**167**	184	**15**	13
	1,265	1,328	**305**	316
Operations	**988**	1,010	**263**	268
Sales & Servicing	**264**	304	**29**	34
Corporate	**13**	14	**13**	14
	1,265	1,328	**305**	316

7 Finance revenue and costs

	2011	2010		
	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Finance revenue				
Bank interest	**126**	66	1	67
Interest from held to maturity investments	**15**	20	–	20
Other assets at amortised cost	**48**	165	–	165
Interest from available-for-sale investments	**-**	6	–	6
Interest income from financial assets not at fair value through profit or loss	**189**	257	1	258
Interest income from financial assets at fair value through profit or loss	**91**	213	–	213
Interest received	**280**	470	1	471
Profit on sale of Group undertakings	**196**	–	3,052	3,052
Total finance revenue	**476**	470	3,053	3,523
Finance costs				
Bank loans and overdrafts at amortised cost	**721**	872	2	874
Other loans at amortised cost	**22**	79	–	79
Finance leases	**18**	58	–	58
Other finance charges	**100**	488	–	488
Loss on sale of Group undertakings	**-**	255	–	255
Total finance costs	**861**	1,752	2	1,754

The profits and losses on sale of Group undertakings have arisen due to the recycling of accumulated exchange differences through the income statement.

8 Special items and adjusted profit

The Group separately identifies and discloses significant one-off or unusual items (termed special items, previously termed exceptional items). Management believes this provides a meaningful analysis of the trading results of the Group.

	2011 £'000	2010 £'000
Adjusted profit before tax from continuing operations	**18,003**	14,031
Special items		
Cost of sales		
Impairment of inventory	**-**	(1,214)
Employment termination and other restructuring costs	**-**	(2,533)
	-	(3,747)
Administrative expense		
Employment termination and other restructuring costs	**-**	(775)
Finance cost	**-**	(255)
Total special costs	**-**	(4,777)
Profit before tax after special items	**18,003**	9,254

Year ended 30 April 2011

There were no special items in 2011.

Year ended 30 April 2010

Special items in 2010 included £1,214,000 impairment of inventory, arising from excess inventory of spare parts for minilabs, £3,308,000 restructuring costs, arising mainly in the Sales & Servicing division, including employment termination costs and a £255,000 transfer from the translation reserve arising on the disposal of Group undertakings. There was a tax credit of £1,498,000 associated with special items.

Notes to the financial statements continued

9 Taxation expense

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

	2011	2010		
	Total £'000	Continuing operations £'000	Discontinued operations £'000	Total £'000
Taxation				
Current taxation				
UK corporation tax				
– current tax	**659**	–	–	–
– prior years	**294**	(108)	–	(108)
– double taxation relief	**(68)**	–	–	–
	885	(108)	–	(108)
Overseas taxation				
– current year	**5,535**	3,816	31	3,847
– prior years	**(1)**	(152)	–	(152)
	5,534	3,664	31	3,695
Total current taxation	**6,419**	3,556	31	3,587
Deferred taxation				
Origination and reversal of temporary differences				
– current year – UK	**418**	(344)	–	(344)
– overseas	**(436)**	(505)	–	(505)
Adjustments to estimated recoverable amounts of deferred tax assets arising in previous years				
– UK	**(2,421)**	(254)	–	(254)
– Overseas	**255**	–	–	–
Impact of change in rate	**17**	–	–	–
Total deferred tax	**(2,167)**	(1,103)	–	(1,103)
Tax charge in the statement of comprehensive income	**4,252**	2,453	31	2,484

All amounts for discontinued activities in the above table relate to the Group's wholesale lab business.

Tax relating to items credited to other components of comprehensive income

	2011 £'000	2010 £'000
Deferred tax		
Actuarial gains and losses on pension schemes	**(38)**	(181)
Tax credit in other comprehensive income	**(38)**	(181)

Reconciliation of the total tax charge

The difference between the Group tax charge and the standard UK corporation tax rate of 27.8% (2010: 28%) is explained below:

	2011 £'000	2010 £'000
Profit before tax		
From continuing operations	**18,003**	9,254
Profit on sale of discontinued operations	**-**	3,027
Profit before tax from continuing and discontinued operations	**18,003**	12,281
Tax using the UK corporation tax rate of 27.8% (2010: 28%)	**5,010**	3,439
Effect of:		
– non-taxable items	**(2)**	(1,308)
– overseas tax rates	**1,032**	600
– other deferred tax assets not recognised	**-**	382
– relieved losses on which deferred tax had not previously been recognised	**85**	(115)
– adjustments to tax in respect of prior years	**(1,873)**	(514)
Total tax charge	**4,252**	2,484
Effective tax rate	**23.6%**	20.2%

10 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 £18,301,000 (2010: £4,773,000), including dividends received from subsidiaries.

11 Dividends paid and proposed

An interim dividend for the year ended 30 April 2010 of 0.25p per share, was paid on 4 May 2010 and a final dividend of 1.0p per share was paid on 5 November 2010.

The Board has declared an interim dividend of 1.0p per share for the year ending 30 April 2011, which was paid on 6 May 2011. The Board propose a final dividend for the year ended 30 April 2011 of 1.0p per share, which is subject to shareholder approval at the Annual General Meeting to be held on 6 October 2011. If approved, the dividend will be paid on 7 November 2011.

Notes to the financial statements continued

12 Earnings per share

Basic earnings per share amounts are calculated by dividing net earnings attributable to Ordinary shareholders of the Parent of £13,608,000 (2010: £9,722,000) 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 22.

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

	2011			2010		
	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	**13,608**	**361,078**	**3.77**	9,722	359,892	2.70
Effect of dilutive securities: options	**-**	**2,465**	**(0.03)**	–	2,060	(0.01)
Diluted earnings per share	**13,608**	**363,543**	**3.74**	9,722	361,952	2.69

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.

Adjusted basic and diluted earnings per share are calculated on the basis of earnings before special items. The directors believe that disclosure of this measure allows shareholders to understand better elements of financial performance and to facilitate comparison with other periods.

Adjusted earnings per share calculations

	2011			2010		
	Earnings £'000	Weighted average number of shares '000	Earnings per share pence	Earnings £'000	Weighted average number of shares '000	Earnings per share pence
Unadjusted earnings per share	**13,608**	**361,078**	**3.77**	9,722	359,892	2.70
Impairment	**-**	**-**	**-**	1,214	359,892	0.33
Employment termination and other restructuring cost	**-**	**-**	**-**	3,308	359,892	0.92
Translation reserve arising on disposal of Group undertakings	**-**	**-**	**-**	255	359,892	0.07
Tax impact	**-**	**-**	**-**	(1,498)	359,892	(0.42)
Minority interests	**-**	**-**	**-**	(50)	359,892	–
Adjusted basic earnings per share	**13,608**	**361,078**	**3.77**	12,951	359,892	3.60
Adjusted diluted earnings per share	**13,608**	**363,543**	**3.74**	12,951	361,952	3.58

Detailed analysis of earnings per share

	2011			2010		
	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						
Continuing	**13,608**	**361,078**	**3.77**	6,695	359,892	1.86
Discontinued (note 5)	**–**	**–**	**–**	3,027	359,892	0.84
Total	**13,608**	**361,078**	**3.77**	9,722	359,892	2.70
Adjusted earnings per share						
Continuing	**13,608**	**361,078**	**3.77**	9,924	359,892	2.76
Discontinued (note 5)	**–**	**–**	**–**	3,027	359,892	0.84
Total	**13,608**	**361,078**	**3.77**	12,951	359,892	3.60
Diluted basic earnings per share						
Continuing	**13,608**	**363,543**	**3.74**	6,695	361,952	1.85
Discontinued (note 5)	**–**	**–**	**–**	3,027	361,952	0.84
Total	**13,608**	**363,543**	**3.74**	9,722	361,952	2.69
Diluted adjusted earnings per share						
Continuing	**13,608**	**363,543**	**3.74**	9,924	361,952	2.74
Discontinued (note 5)	**–**	**–**	**–**	3,027	361,952	0.84
Total	**13,608**	**363,543**	**3.74**	12,951	361,952	3.58

13 Goodwill and other intangible assets

Goodwill

Group

	£'000
Cost:	
At 1 May 2009	10,407
Exchange differences	(69)
At 30 April 2010	**10,338**
Exchange differences	**56**
At 30 April 2011	**10,394**
Impairment charges:	
At 1 May 2009	301
Exchange differences	(1)
At 30 April 2010	**300**
Exchange differences	**1**
At 30 April 2011	**301**
Net book value:	
At 30 April 2011	**10,093**
At 30 April 2010	10,038
At 1 May 2009	10,106

Company

The Company has no goodwill.

FINANCIAL STATEMENTS

Notes to the financial statements continued

13 Goodwill and other intangible assets continued

Goodwill continued

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	
Carrying amount	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Goodwill	**9,776**	9,721	**317**	317	**10,093**	10,038

Goodwill has been allocated for impairment testing purposes to six (2010: six) cash-generating units (CGUs):

	Operations		Sales & Servicing		Total	
Carrying amount	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
UK and Ireland						
Operations 1	**154**	154	**-**	–	**154**	154
Operations 2	**14**	14	**-**	–	**14**	14
Sales & Servicing 1	**-**	–	**317**	317	**317**	317
Total UK and Ireland	**168**	168	**317**	317	**485**	485
Continental Europe						
Operations 1	**2,044**	1,996	**-**	–	**2,044**	1,996
Operations 2	**319**	312	**-**	–	**319**	312
Total Continental Europe	**2,363**	2,308	**-**	–	**2,363**	2,308
Asia						
Operations 1	**7,245**	7,245	**-**	–	**7,245**	7,245
Total Asia	**7,245**	7,245	**-**	–	**7,245**	7,245
Total	**9,776**	9,721	**317**	317	**10,093**	10,038

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% (2010: 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 7-10% (2010: 14%)

The pre-tax discount rates applied to the cash flow forecasts for the CGUs for 2011 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 10%, Japan 7%, Germany 9% and Ireland 9% (2010: all countries 14%). Due to the broadly similar risk profiles of the CGUs no such adjustments were considered necessary in 2010. 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 2011 and 2010.

Other intangible assets

Group

	Research and development costs £'000	Software £'000	Customer licences £'000	Patents and licences £'000	Other intangible assets £'000	Total £'000
Cost:						
At 1 May 2009	25,347	1,635	1,381	38	2,124	30,525
Exchange differences	(682)	(15)	10	–	(61)	(748)
Additions						
– internally generated	3,259	–	–	–	–	3,259
– external	–	83	–	2	23	108
Disposals	(6,061)	(85)	–	–	(122)	(6,268)
At 30 April 2010	**21,863**	**1,618**	**1,391**	**40**	**1,964**	**26,876**
Exchange differences	**567**	**31**	**146**	**1**	**47**	**792**
Additions						
– internally generated	**3,358**	**–**	**–**	**–**	**–**	**3,358**
– external	**–**	**154**	**–**	**44**	**90**	**288**
Disposals	**(570)**	**(22)**	**–**	**(3)**	**–**	**(595)**
At 30 April 2011	**25,218**	**1,781**	**1,537**	**82**	**2,101**	**30,719**
Amortisation:						
At 1 May 2009	19,085	1,468	1,003	23	14	21,593
Exchange differences	(550)	(9)	10	(1)	(1)	(551)
Disposals	(6,061)	(85)	–	–	(13)	(6,159)
Provided during year	1,972	99	183	4	–	2,258
At 30 April 2010	**14,446**	**1,473**	**1,196**	**26**	**–**	**17,141**
Exchange differences	**443**	**4**	**139**	**–**	**–**	**586**
Disposals	**(570)**	**(22)**	**–**	**(1)**	**–**	**(593)**
Provided during year	**2,970**	**120**	**126**	**1**	**–**	**3,217**
At 30 April 2011	**17,289**	**1,575**	**1,461**	**26**	**–**	**20,351**
Net book value:						
At 30 April 2011	**7,929**	**206**	**76**	**56**	**2,101**	**10,368**
At 30 April 2010	7,417	145	195	14	1,964	9,735
At 1 May 2009	6,262	167	378	15	2,110	8,932

Capitalised research and development expenditure is amortised over a maximum of four years, with no residual value. Included in net book value of £7,929,000 (2010: £7,417,000) is £2,350,000 (2010: £3,061,000) relating to the movie industry project and £937,000 (2010: £1,651,000) relating to the photobook family.

The average remaining life in years for research and development costs is 2.17 years (2010: 2.47 years).

FINANCIAL STATEMENTS

Notes to the financial statements continued

13 Goodwill and other intangible assets continued

Other intangible assets continued

Other intangible assets are payments made for the right to occupy a space to site vending equipment. 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

	Total £'000
Cost:	
At 1 May 2009	958
Disposals	(3)
At 30 April 2010	**955**
Disposals	**(22)**
At 30 April 2011	**933**
Amortisation:	
At 1 May 2009	872
Provided during year	35
Disposals	(3)
At 30 April 2010	**904**
Provided during year	**29**
Disposals	**(22)**
At 30 April 2011	**911**
Net book value:	
At 30 April 2011	**22**
At 30 April 2010	51
At 1 May 2009	86

The Company's only intangible asset is software.

14 Property, plant and equipment

Group

	Land and buildings £'000	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost:				
At 1 May 2009	11,219	189,373	27,405	227,997
Exchange differences	(152)	(1,590)	(569)	(2,311)
Additions				
– internal	–	5,526	–	5,526
– external	148	5,418	1,585	7,151
Disposals	(258)	(19,551)	(2,115)	(21,924)
At 30 April 2010	**10,957**	**179,176**	**26,306**	**216,439**
Exchange differences	**245**	**5,717**	**633**	**6,595**
Additions				
– internal	**–**	**2,299**	**–**	**2,299**
– external	**62**	**13,554**	**1,127**	**14,743**
Disposals	**(155)**	**(17,231)**	**(2,229)**	**(19,615)**
At 30 April 2011	**11,109**	**183,515**	**25,837**	**220,461**
Depreciation:				
At 1 May 2009	7,638	123,153	22,562	153,353
Exchange differences	(119)	(1,069)	(518)	(1,706)
Provided during year	281	24,139	1,912	26,332
Disposals	(234)	(18,583)	(1,720)	(20,537)
At 30 April 2010	**7,566**	**127,640**	**22,236**	**157,442**
Exchange differences	**195**	**4,379**	**598**	**5,172**
Provided during year	**254**	**23,469**	**1,737**	**25,460**
Disposals	**(58)**	**(16,304)**	**(2,098)**	**(18,460)**
At 30 April 2011	**7,957**	**139,184**	**22,473**	**169,614**
Net book value:				
At 30 April 2011	**3,152**	**44,331**	**3,364**	**50,847**
At 30 April 2010	3,391	51,536	4,070	58,997
At 1 May 2009	3,581	66,220	4,843	74,644

Internal additions for photobooths and vending machines of £2,299,000 (2010: £5,526,000) 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:

	2011		2010	
	Photobooths and vending machines £'000	**Plant, machinery, furniture, fixtures and motor vehicles £'000**	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000
Net book value	**643**	**307**	937	334
Additions/reclassifications	**–**	**43**	491	–
Depreciation charge	**279**	**110**	263	5

The Group has loans of £24,000 (2010: £51,000), which are secured on certain property, photobooths and motor vehicles.

FINANCIAL STATEMENTS

Notes to the financial statements continued

14 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 2009	2,484	50,014	3,016	55,514
Additions – internal	–	895	–	895
– external	–	603	140	743
Disposals – internal	–	(75)	–	(75)
– external	–	(4,929)	(176)	(5,105)
At 30 April 2010	**2,484**	**46,508**	**2,980**	**51,972**
Additions – internal	**–**	**2,765**	**–**	**2,765**
– external	**–**	**105**	**13**	**118**
Disposals – internal	**–**	**(173)**	**–**	**(173)**
– external	**(4)**	**(5,152)**	**(1,605)**	**(6,761)**
Transfer of subsidiary's trade and assets	**–**	**865**	**13**	**878**
At 30 April 2011	**2,480**	**44,918**	**1,401**	**48,799**
Depreciation:				
At 1 May 2009	1,369	37,274	1,851	40,494
Provided during year	59	5,555	546	6,160
Disposals – external	–	(4,922)	(172)	(5,094)
At 30 April 2010	**1,428**	**37,907**	**2,225**	**41,560**
Provided during year	**59**	**5,045**	**473**	**5,577**
Disposals – internal	**–**	**(151)**	**–**	**(151)**
– external	**(4)**	**(5,111)**	**(1,602)**	**(6,717)**
Transfer of subsidiary's trade and assets	**–**	**745**	**8**	**753**
At 30 April 2011	**1,483**	**38,435**	**1,104**	**41,022**
Net book value:				
At 30 April 2011	**997**	**6,483**	**297**	**7,777**
At 30 April 2010	1,056	8,601	755	10,412
At 1 May 2009	1,115	12,740	1,165	15,020

Details of the transfer of subsidiary's trade and assets are provided in note 33.

Internal additions for photobooths and vending machines of £2,765,000 (2010: £895,000) 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.

15 Investment property

Group

	£'000
Cost:	
At 1 May 2009	13,410
Exchange differences	(383)
At 30 April 2010	**13,027**
Exchange differences	**312**
At 30 April 2011	**13,339**
Depreciation:	
At 1 May 2009	10,528
Exchange differences	(311)
Depreciation provided during year	588
At 30 April 2010	**10,805**
Exchange differences	**282**
Depreciation provided during year	**503**
At 30 April 2011	**11,590**
Net book value:	
At 30 April 2011	**1,749**
At 30 April 2010	2,222
At 1 May 2009	2,882

The investment property is freehold and is stated at cost.

The property has been 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 on this sale amounted to €9.2m (£8,200,000).

The receipt of the future rental income will impact on the value of the property at 30 April 2011. The valuations for future years will increase due to the passage of time and the unwinding of the receipt. The directors believe at 30 April 2011, net of the advanced receipt of the €9.2m rental income, the property is worth at least €3.4m (£3,000,000).

Rental income from the investment property was £963,000 (2010: £1,234,000) (note 4) and finance costs were £45,000 (2010: £nil).

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:

	2011 £'000	2010 £'000
No later than one year	**1,013**	990
After one year but no more than five years	**4,056**	3,961
After five years	**3,042**	3,961
	8,111	8,912

Company

The Company has no investment property.

Notes to the financial statements continued

16 Investments in associates and subsidiaries

Investment in associates

Group

	£'000
Cost:	
At 1 May 2009	716
Exchange differences	40
Share of losses	(9)
Disposals	(133)
Other movements	(31)
At 30 April 2010	**583**
Exchange differences	**(9)**
Share of profits	**89**
Dividends	**(65)**
At 30 April 2011	**598**

The summarised financial information of the principal associates, relating to the Group's share, is set out below. All companies are unlisted (2010: all companies are unlisted with the exception of Photo-Me Australia Ltd , which is listed on the Australian Stock Exchange).

Name	Country of incorpora-tion	Assets £'000	Liabilities £'000	Revenue £'000	Profit/(loss) £'000	% interest
At 30 April 2010						
Fullwise International Ltd	Hong Kong	28	–	–	–	33.33
Max Sight Ltd	Hong Kong	361	51	362	65	33.33
Photo Direct Pty Ltd	Australia	1,041	812	2,851	(22)	33.33
Photo-Me Australia Ltd	Australia	–	–	36	(51)	–
Photomaton Maroc SARL	Morocco	78	62	179	(1)	50.00
		1,508	925	3,428	(9)	
At 30 April 2011						
Fullwise International Ltd	Hong Kong	**26**	**–**	**–**	**–**	**33.33**
Max Sight Ltd	Hong Kong	**286**	**22**	**376**	**46**	**33.33**
Photo Direct Pty Ltd	Australia	**1,060**	**765**	**3,506**	**45**	**33.33**
Photomaton Maroc SARL	Morocco	**76**	**63**	**156**	**(2)**	**50.00**
		1,448	**850**	**4,038**	**89**	

Year ended 30 April 2010

Following the raising of new equity by Photo-Me Australia Ltd, and the settlement of the convertible loan notes during the prior year, the Group and the Company no longer accounts for its investment in Photo-Me Australia Ltd as an associate undertaking. The Group and the Company's interest in this company is approximately 7% and has been valued as an available-for-sale investment at fair value through the statement of comprehensive income.

Company

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
Cost:			
At 1 May 2009	410	45,670	46,080
Capital reduction relating to share-based payment (net)	–	(2)	(2)
Disposals	–	(2,396)	(2,396)
Transfers	(2)	–	(2)
At 30 April 2010	**408**	**43,272**	**43,680**
Additions	**–**	**163**	**163**
Capital increase relating to share-based payment (net)	**–**	**70**	**70**
At 30 April 2011	**408**	**43,505**	**43,913**
Provision:			
At 1 May 2009	150	4,040	4,190
Disposals	–	(2,197)	(2,197)
At 30 April 2010	**150**	**1,843**	**1,993**
Increase	**–**	**162**	**162**
At 30 April 2011	**150**	**2,005**	**2,155**
Net book value:			
At 30 April 2011	**258**	**41,500**	**41,758**
At 30 April 2010	258	41,429	41,687
At 1 May 2009	260	41,630	41,890

The net capital increase (2010: reduction) relating to share-based payments relates to share options granted to the employees of subsidiary undertakings of the Group. Refer to note 22 for further details on the Group's share option schemes.

The disposals in 2010 includes the disposal of Imaging Solutions A.G.

The details of the Group's principal subsidiaries and associates are given in note 32.

17 Financial instruments

17 (a) Fair values of financial instruments by class

There is no difference between the fair values and the carrying value 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. Derivatives are valued at fair value using exchange rates and market interest rates 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.

Notes to the financial statements continued

17 Financial instruments continued

17 (a) Fair values of financial instruments by class continued

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.

17(b) Financial statement risk management

(i) Financial risk factors and financial risk management

The Group is exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. 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. 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.

Interest rate risk

The main interest rate risk for the Group and the Company derives from the interest rate charged on borrowings. Fixed rate borrowings are mainly on finance leases; bank loans and other borrowings are generally subject to floating interest rates. Generally, borrowings are in the domestic currency of the company having the borrowing.

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.

IFRS 7 sensitivity analysis

The following table shows the impact on total interest payable of a change of 100 basis points (1%) on borrowings subject to floating rates of interest.

	Reported £'000	1% increase £'000	1% decrease £'000
2011			
Total interest payable	**861**	**1,098**	**624**
2010			
Total interest payable	1,497	1,878	1,116

Terms and debt repayment schedule
The Group and the Company have 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 2011, with the latest maturity date shown.

Group	Status	Currency	Interest rate	Year of maturity	2011 Carrying amount £'000	2010 Carrying amount £'000
Finance leases	Fixed rate	Other currencies	0%-7.20%	2016	**421**	689
Finance leases	Fixed rate	Euro	1.00%	2012	**215**	356
Loans	Fixed rate	Euro	4.75%	2013	**114**	197
Loans	Fixed rate	Other currencies	3.5%	2015	**8**	10
Loans	Interest free	Euro	0.0%	2016	**952**	547
Loans	Floating	Sterling	1.37%-1.62%	2012	**6,000**	14,000
Loans	Floating	Euro	1.37%-1.7%	2013	**9,694**	16,490
Overdrafts	Floating	Euro	Euribor + margin	-	**-**	2,120
					17,404	34,409

Company	Status	Currency	Interest rate	Year of maturity	2011 Carrying amount £'000	2010 Carrying amount £'000
Loans	Floating	Sterling	1.37%-1.62%	2012	**6,000**	14,000
					6,000	14,000

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%). The Group has an interest rate swap which at 30 April 2011 and 30 April 2010 has resulted in a derivative liability.

Included in the Company receivables – amounts due from subsidiaries, are loans amounting to £739,000 (2010: £1,261,000) which are subject to floating rates of interest based on Euribor plus a margin between 0.5% and 1%.

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 Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. This risk is reduced by having borrowings in the foreign operation in the functional currency of the foreign operations. The main currency translation risk relates to foreign operations in the Euro, Swiss franc and Japanese yen.

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 exposures, the Group endeavours to buy from suppliers and sell to customers in the same currency.

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

17 Financial instruments continued

17 (b) Financial statement risk management continued

(i) Financial risk factors and financial risk management 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 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.

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
2011			
Profit for the year	**13,751**	**14,094**	**13,332**
Total equity	**88,755**	**89,089**	**88,346**
2010			
Profit for the year	9,828	10,561	8,932
Total equity	78,352	79,094	77,446

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	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Current				
Euro	**15**	–	**1,766**	1,463
US dollar	**70**	1,088	**42**	6
Other currencies	**9**	297	**–**	–
	94	1,385	**1,808**	1,469

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

	2011 £'000	2010 £'000
Floating rate Euro loans	**739**	1,261
	739	1,261

Borrowings
At 30 April 2011 and 30 April 2010 the Group had no borrowings, which were not denominated in the functional currency of the Group company concerned.

In addition to the external borrowings, the Company has borrowings from Group companies in Swiss francs of £2,124,000 (2010: £1,865,000).

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

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Amounts shown as current liabilities				
Euro	**-**	9	**11,064**	10,772
Swiss franc	**-**	–	**2,216**	2,176
US dollar	**96**	2,669	**-**	37
Japanese yen	**37**	–	**-**	–
	133	2,678	**13,280**	12,985

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. The most significant of which relates to the agreed interest on the sale of the Grenoble investment property rental income.

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. The Group has policies in place to ensure that sales of products and services are made to customers with an approved credit history. Cash deposits are limited to high credit quality financial institutions.

Credit quality of financial assets
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.

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 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

17 Financial instruments continued

17 (b) Financial statement risk management continued

(i) Financial risk factors and financial risk management continued

Credit quality of financial assets continued

The movements in provisions are as follows:

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
At 1 May	**7,866**	8,079	**2,073**	2,128
Exchange differences	**145**	(192)	**-**	3
Charged/(credited) to income statement	**988**	75	**(17)**	(25)
Utilised	**(2,190)**	(96)	**(916)**	(33)
Transfer from subsidiary	**-**	–	**44**	–
At 30 April	**6,809**	7,866	**1,184**	2,073

At 30 April 2011, trade receivables of £ 4,339,000 (2010: £5,843,000) 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	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Current	**8,087**	7,229	**675**	1,039
Past due				
– overdue 1–30 days	**2,445**	2,433	**245**	303
– overdue 31–60 days	**1,409**	1,613	**99**	210
– overdue 61 days	**485**	1,797	**81**	22
Total past due	**4,339**	5,843	**425**	535
Total trade receivables	**12,426**	13,072	**1,100**	1,574

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 £2,051,000 (2010: £1,698,000) are all current.

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 2011 has reduced liquidity risk for the Group.

At 30 April 2011 the Group has undrawn facilities of £14,371,000 (2010: £24,174,000). 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.

The Group has secured loans amounting to £24,000 (2010: £51,000) on property, plant and equipment.

Certain lending banks have imposed loan covenants on borrowings and, during the year to 30 April 2011, the Group and the Company have comfortably complied with these requirements.

The table below summarises the maturity profile of the Group's financial liabilities (including trade and other payables) at 30 April 2011 and 30 April 2010 based on contractual undiscounted payments.

	Contractual cash flows						
	Within one year £'000	Year 2 £'000	Year 3 £'000	Year 4 £'000	Year 5 £'000	Over 5 years £'000	Total £'000
At 30 April 2011							
Interest bearing loans and borrowings and interest free loans	**11,407**	**4,869**	**487**	**192**	**44**	**–**	**16,999**
Finance leases	**457**	**103**	**64**	**26**	**2**	**–**	**652**
Trade and other payables	**43,716**	**365**	**–**	**–**	**–**	**–**	**44,081**
	55,580	**5,337**	**551**	**218**	**46**	**–**	**61,732**
At 30 April 2010							
Interest bearing loans and borrowings and interest free loans	16,778	11,770	5,031	370	104	–	34,053
Finance leases	532	401	114	51	18	–	1,116
Trade and other payables	41,284	356	347	–	–	–	41,987
	58,594	12,527	5,492	421	122	–	77,156

The table below summarises the maturity profile of the Company's financial liabilities (including trade and other payables) at 30 April 2011 and 30 April 2010 based on contractual undiscounted payments.

	Contractual cash flows			
	Within one year £'000	Year 2 £'000	Year 3 £'000	Total £'000
At 30 April 2011				
Interest bearing loans and borrowings	**6,005**	**–**	**–**	**6,005**
Trade and other payables	**23,197**	**–**	**–**	**23,197**
	29,202	**–**	**–**	**29,202**
At 30 April 2010				
Interest bearing loans and borrowings	10,090	6,084	–	16,174
Trade and other payables	22,485	–	–	22,485
	32,575	6,084	–	38,659

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 designated as available-for-sale investments and thus does not have any significant exposure to price risk on equity investments.

17 (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.

Notes to the financial statements continued

17 Financial instruments continued

17 (c) Capital risk management continued

The capital structure of the Group is presented below.

	2011 £'000	2010 £'000
Cash and cash equivalents	56,212	41,916
Financial assets	–	570
Borrowings	(17,404)	(34,409)
Net cash (excluding restricted deposits)	38,808	8,077
Equity	88,755	78,352

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

18 Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non-current assets				
Trade receivables – external	–	80	–	–
Other receivables	1,905	1,579	–	–
Prepayments and accrued income	42	37	–	–
	1,947	1,696	–	–
Current assets				
Trade receivables – external	12,426	13,072	1,100	1,574
– related parties	45	238	–	–
Amounts due from – subsidiaries	–	–	2,051	1,698
– associated undertakings	59	163	–	–
Other receivables	4,447	2,871	237	305
Prepayments and accrued income	3,421	2,951	1,327	757
	20,398	19,295	4,715	4,334

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.

19 Inventories

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Raw materials and consumables	17,412	17,230	1,577	2,069
Work-in-progress	72	2,333	–	–
Finished goods	3,374	3,184	156	352
	20,858	22,747	1,733	2,421

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 £35,056,000 from continuing operations and £nil from discontinued operations (2010: £45,260,000; £44,982,000, continuing and £278,000 discontinued operations).

20 Cash and cash equivalents

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Cash at bank and in hand	**45,157**	33,674	**11,118**	2,682
Deposit accounts (excluding restricted deposits)	**11,055**	8,242	**2,620**	4,465
Cash and cash equivalents per statement of financial position	**56,212**	41,916	**13,738**	7,147
Bank overdrafts (note 23)	**-**	(2,120)	**-**	-
Cash and cash equivalents per cash flow	**56,212**	39,796	**13,738**	7,147

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.

21 Net cash/(debt)

		Group		Company	
	Notes	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Cash and cash equivalents per statement of financial position	20	**56,212**	41,916	**13,738**	7,147
Financial assets – held to maturity		**1,871**	570	**-**	-
Bank overdrafts	23	**-**	(2,120)	**-**	-
Non-current instalments due on bank loans	23	**(5,509)**	(17,013)	**-**	(6,000)
Current instalments due on bank loans	23	**(11,259)**	(14,231)	**(6,000)**	(8,000)
Non-current finance leases	23	**(195)**	(562)	**-**	-
Current finance leases	23	**(441)**	(483)	**-**	-
Net cash/(debt)		**40,679**	8,077	**7,738**	(6,853)

At 30 April 2011, £1,871,000 of the total net cash (2010: £570,000) comprised bank deposit accounts that are subject to restrictions and are not freely for use by the Group.

Net cash/(debt) 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/(debt) as defined by the Group may not be comparable with other companies' measurement of net cash/(debt). The Group includes in net cash/(debt) loan and other borrowings less cash and cash equivalents and certain financial assets, mainly deposits.

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.

Notes to the financial statements continued

22 Share capital and reserves

Share capital

Company

	2011 Number	2010 Number	2011 £'000	2010 £'000
Allotted, issued and fully paid:				
Ordinary shares of 0.5p each				
At 1 May	**367,539,331**	367,229,331	**1,838**	1,836
Issued in year				
– share options	**1,289,768**	310,000	**6**	2
At 30 April	**368,829,099**	367,539,331	**1,844**	1,838
Deferred shares of 2.5p each				
At 1 May	**8,040,000**	8,040,000	**201**	201
Redeemed in year	**(8,040,000)**	–	**(201)**	–
At 30 April	**–**	8,040,000	**–**	201
	368,829,099	375,579,331	**1,844**	2,039

On 31 August 2010 the Company redeemed all of the Deferred shares for 1p. The Deferred shares carried no dividend rights and no voting rights.

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 2010	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2011	Exercise price	Date from which exercisable	Last date on which exercisable
13 Dec 2002	**1,950,000**	**–**	**(150,000)**	**(1,244,208)**	**555,792**	18.33p	13 Dec 2007	12 Dec 2011
13 Feb 2004	**215,000**	**–**	**(80,000)**	**–**	**135,000**	138.50p	13 Feb 2009	12 Feb 2013
29 Jan 2009	**1,340,000**	**–**	**(123,640)**	**(45,560)**	**1,170,800**	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 July 2010	**–**	**2,080,000**	**–**	**–**	**2,080,000**	36.33p	12 July 2013	11 July 2017
	5,255,000	**2,080,000**	**(353,640)**	**(1,289,768)**	**5,691,592**			

Date options granted	At 30 April 2009	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2010	Exercise price	Date from which exercisable	Last date on which exercisable
22 Aug 2000	97,000	–	(97,000)	–	–	87.00p	22 Aug 2005	21 Aug 2009
13 Dec 2002	2,260,000	–	–	(310,000)	1,950,000	18.33p	13 Dec 2007	12 Dec 2011
13 Feb 2004	215,000	–	–	–	215,000	138.50p	13 Feb 2009	12 Feb 2013
29 Jan 2009	4,595,000	–	(3,255,000)	–	1,340,000	10.92p	29 Jan 2012	28 Jan 2016
20 Jan 2010	–	4,750,000	(3,000,000)	–	1,750,000	36.67p	20 Jan 2013	19 Jan 2017
	7,167,000	4,750,000	(6,352,000)	(310,000)	5,255,000			

Options granted on 22 August 2000 lapsed on 21 August 2009 as the share price was below the option price. Options granted on 29 January 2009 and 20 January 2010 lapsed as the result of the grantee leaving the Group.

Full details of directors' share options are given in the Remuneration report on page 37.

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 end, 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 2011 is 31.9p (2010: 27.5p) and the weighted average exercise price of options exercisable at 30 April 2011 is 41.7p (2010: 30.3p).

The weighted average share price for options exercised during the year ended 30 April 2011 was 39.9p (30 April 2010: 36.5p).

The weighted average remaining years for options outstanding at the year end date is 5.1 years (2010: 2.2 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 2011 and 30 April 2010:

Date of grant	13 December 2002	13 February 2004	29 January 2009	20 January 2010	12 July 2010
Vesting period	5 years	5 years	3 years	3 years	3 years
Share price volatility	76.5%	78.2%	52.8%	69.1%	70.1%
Share price on date of grant	£0.1875	£1.3975	£0.1075	£0.355	£0.3800
Option price	£0.183	£1.385	£0.109	£0.3667	£0.3633
Expected term	5.25 years	5.25 years	3.25 years	3.25 years	3.25 years
Dividend yield	1.6%	0.0%	0.0%	0.7%	3.29%
Risk free interest rate	4.3%	4.6%	2.52%	2.27%	1.27%
Fair value	£0.112	£0.943	£0.04693	£0.1636	£0.1595

The charge for share-based payments is £193,000 (2010: £37,000).

Share price volatility is based on historical volatility.

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 2011 the number of shares held in Treasury was 7,505,000, representing 2.03% of the Ordinary issued share capital (2010: 7,505,000). The treasury shares have no voting or dividend rights until the Company reissues them, which can be at any time. The Company may cancel the treasury shares, but currently has no intention of so doing. Under Companies Act legislation the amount has to be deducted from reserves available for distribution before the Company can make dividend distributions.

Other reserves

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

Notes to the financial statements continued

22 Share capital and reserves continued

Reserves continued

Group continued

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 (2010: £nil) arising on the redemption of the deferred shares and £451,000 (2010: £380,000) relating to the fair value of options granted to employees of Group undertakings, refer to note 16 above.

23 Financial liabilities

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Non-current liabilities				
Non-current instalments due on bank loans	**5,509**	17,013	**–**	6,000
Finance lease creditors	**195**	562	**–**	–
	5,704	17,575	**–**	6,000
Current liabilities				
Bank overdrafts	**–**	2,120	**–**	–
Current instalments due on bank loans	**11,259**	14,231	**6,000**	8,000
Finance lease creditors	**441**	483	**–**	–
	11,700	16,834	**6,000**	8,000

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 17 and in the tables below. Margins are generally between 0.40% and 1%.

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

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Between one and two years	**4,787**	11,567	**–**	6,000
Between two and three years	**486**	4,975	**–**	–
Between three and four years	**192**	367	**–**	–
Between four and five years	**44**	104	**–**	–
	5,509	17,013	**–**	6,000

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 (2010: four) years (note 14). The Company has no finance leases (2010: none).

	Group	
	2011 £'000	2010 £'000
Minimum lease payments		
Within one year	**457**	532
Within two to five years	**195**	584
	652	1,116
Finance charges		
Within one year	**16**	49
Within two to five years	**-**	22
	16	71
Present value of minimum lease payments		
Within one year	**441**	483
Within two to five years	**195**	562
	636	1,045

24 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 £223,000 (2010: £158,000).

The Group's and 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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Company defined benefit scheme	**494**	79	**494**	79
Overseas employment benefit obligations	**3,379**	3,295	**-**	-
Overseas defined benefit scheme	**188**	285	**-**	-
Amount shown as non-current liability	**4,061**	3,659	**494**	79

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Notes to the financial statements continued

24 Post-employment benefit obligations continued

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 completed valuation being at 1 June 2009.

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

	2011 £'000	2010 £'000
Present value of defined benefit obligation at beginning of year	**5,307**	4,405
Current service cost	**38**	28
Interest cost	**282**	294
Contributions by members	**4**	4
Actuarial loss on plan liabilities	**42**	900
Benefits paid	**(223)**	(324)
Present value of defined benefit obligation at end of year	**5,450**	5,307

Reconciliation of the movement in the fair value of plan assets

	2011 £'000	2010 £'000
Fair value of plan assets at beginning of year	**5,228**	4,399
Expected return on plan assets	**317**	285
Actuarial gain on plan assets	**131**	830
Contributions by the Company	**167**	34
Contributions by members	**4**	4
Benefits paid	**(223)**	(324)
Fair value of plan assets at end of year	**5,624**	5,228

Amount to be recognised in the statement of financial position

	2011 £'000	2010 £'000
Present value of funded obligations	**5,450**	5,307
Fair value of scheme assets	**(5,624)**	(5,228)
Net (assets)/liability	**(174)**	79
Effect of limit of recognition of an asset	**174**	–
Recognition of minimum funding requirement	**494**	–
Net liability recognised in the statement of financial position	**494**	79

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 £1,049,000 (2010: loss of £470,000) in respect of the Company's defined benefit scheme.

Amount to be recognised in the statement of comprehensive income

	2011 £'000	2010 £'000
Current service cost	**38**	28
Interest on obligation	**282**	294
Expected return on plan assets	**(317)**	(285)
Total charge	**3**	37

The amounts shown above are included in staff costs (note 6) and in administrative expenses.

Total amount recognised in other comprehensive income

	2011 £'000	2010 £'000
Actuarial gain/(loss)	**89**	(70)
Effect of the limit of recognition of an asset	**(174)**	–
Recognition of minimum funding requirement	**(494)**	–
Total amount recognised in other comprehensive income	**(579)**	(70)

An analysis of the assets of the plan is as follows:

Plan assets

	2011		2010		2009	
	£'000	%	£'000	%	£'000	%
Equities	**1,904**	**34**	1,854	35	1,541	35
Gilts and bonds	**3,332**	**59**	3,285	63	2,636	60
Other	**388**	**7**	89	2	222	5
Total plan assets	**5,624**	**100**	5,228	100	4,399	100
Expected return on plan assets		**5.9**		6.1		6.7

There were no financial instruments of the Company included in the plan assets (2010: none) and there were no property assets occupied by the Company (2010: 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

	2011 £'000	2010 £'000
Actual return on plan assets	**448**	1,115

Notes to the financial statements continued

24 Post-employment benefit obligations continued

Principal actuarial assumptions

	30 April 2011 %	30 April 2010 %
Discount rate	**5.30**	5.40
Expected return on plan assets at end of year	**5.90**	6.10
Rate of increase in salaries	**4.40**	4.60
Price inflation	**3.40**	3.60
Pension increases		
– pension accrued before 6 April 1997	**3.00**	3.00
– pension accrued after 6 April 1997	**3.40**	3.60

The mortality tables used in 2011,2010, 2009 and 2008 are the PxA00, medium cohort tables projected by year of birth with an underpin to future improvements of 1% p.a.

History of assets, liabilities and actuarial gains and losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligation	**5,450**	5,307	4,405	4,566	4,901
Fair value of assets	**5,624**	5,228	4,399	5,179	4,869
Surplus/(deficit)	**174**	(79)	(6)	613	(32)

	2011	2010	2009	2008	2007
Experience (losses)/gains on plan liabilities (£'000)	**(42)**	(900)	230	455	(91)
– as a percentage of the present value of plan liabilities	**(1%)**	(17%)	5%	10%	(2%)
Difference between expected and actual return on plan assets (£'000)	**131**	830	(1,135)	(128)	(31)
– as a percentage of the present value of the plan assets	**2%**	16%	(26%)	(3%)	(1%)

The Company's best estimate of contributions to be paid by the Company next year is £350,000 (2010: £35,000).

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 next three years. At 30 April 2011 an amount of £731,000 remains outstanding (2010: £1,099,000).

- 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 2011 and 30 April 2010. This actuarial valuation incorporated the following principal assumptions in arriving at the present value of the obligations:

  - discount rate 5.00% (2010: 4.50%)
  - rate of increase in salaries 2.5% – 3.0% (2010: 2.5% - 3.0%)
  - retirement age 61 – 64 years (2010: 61-64 years)
  - inflation rate 2.0% (2010: 2.0%)

Management believes that the book value for retirement obligations in France fairly states the position at 30 April 2011 and 30 April 2010.

The amount charged to the income statement (cost of sales and administration costs) in respect of these obligations is £282,000 (2010: £238,000). The movement in the provisions is as follows:

	2011 £'000	2010 £'000
At 1 May	**3,295**	4,128
Exchange differences	**153**	(85)
Utilised and other movements	**139**	(61)
Amount transferred to defined contribution scheme	**-**	(1,477)
(Credited)/charged to other comprehensive income	**(208)**	790
At 30 April	**3,379**	3,295

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Notes to the financial statements continued

24 Post-employment benefit obligations continued

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.

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

	2011 £'000	2010 £'000
Present value of defined benefit obligation at 1 May	**3,004**	2,612
Exchange difference	**397**	62
Contributions by members	**41**	40
Current service cost	**100**	114
Interest cost	**90**	87
Actuarial loss on plan liabilities	**71**	227
Benefits paid	**(486)**	(138)
Present value of defined benefit obligation at 30 April	**3,217**	3,004

Reconciliation of the movement in the fair value of plan assets

	2011 £'000	2010 £'000
Fair value of plan assets at 1 May	**2,719**	2,436
Exchange difference	**359**	61
Contributions by company and members	**144**	144
Expected return on plan assets	**102**	92
Actuarial gain on plan assets	**191**	124
Benefits paid	**(486)**	(138)
Fair value of plan assets at 30 April	**3,029**	2,719

The movements in the fund are as follows:

	2011 £'000	2010 £'000
Net liability at 1 May	**285**	176
Exchange difference	**38**	1
(Decrease)/increase in liability	**(135)**	108
Net liability at 30 April	**188**	285

Amount to be recognised in the statement of financial position

	2011 £'000	2010 £'000
Present value of funded obligations	**3,217**	3,004
Fair value of scheme assets	**(3,029)**	(2,719)
Net liability in statement of financial position	**188**	285

Principal actuarial assumptions

	30 April 2011 %	30 April 2010 %
Discount rate	**3.00**	3.00
Expected return on plan assets at end of year	**3.80**	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	**9.9**	9.4

The mortality tables used in 2011 and 2010 were the BVG2005 tables.

The Group's best estimate for contributions to be paid by the company next year to the scheme is £111,000 (2010: £124,000).

The amount recognised in the income statement for this scheme was £88,000, £69,000 included in cost of sales and £19,000 included in administrative expenses (2010: £109,000; £85,000 included in cost of sales and £24,000 included in administrative expenses).

25 Provisions

Group

	Employee related claims £'000	Product warranties £'000	Other £'000	Total £'000
At 1 May 2009	228	1,305	1,319	2,852
Exchange differences	(24)	(63)	(33)	(120)
Utilised	(74)	(1,407)	(448)	(1,929)
Charged to income statement	1,049	3,008	331	4,388
At 30 April 2010	1,179	2,843	1,169	5,191
Amount shown as non-current liability	–	8	64	72
Amount shown as current liability	1,179	2,835	1,105	5,119
	1,179	2,843	1169	5,191
At 30 April 2010	**1,179**	**2,843**	**1,169**	**5,191**
Exchange differences	**14**	**65**	**19**	**98**
Utilised and other movements	**(300)**	**(1,227)**	**(755)**	**(2,282)**
Charged to income statement	**–**	**1,161**	**345**	**1,506**
At 30 April 2011	**893**	**2,842**	**778**	**4,513**
Amount shown as non-current liability	**–**	**13**	**72**	**85**
Amount shown as current liability	**893**	**2,829**	**706**	**4,428**
	893	**2,842**	**778**	**4,513**

Company

	Product warranties £'000	Other £'000	Total £'000
At 1 May 2009	62	5	67
Utilised	(178)	(2)	(180)
Charged to income statement	148	–	148
At 30 April 2010	32	3	35
Amount shown as non-current liability	–	3	3
Amount shown as current liability	32	–	32
	32	3	35
At 30 April 2010	**32**	**3**	**35**
Utilised	**(183)**	**–**	**(183)**
Charged to income statement	**189**	**–**	**189**
At 30 April 2011	**38**	**3**	**41**
Amount shown as non-current liability	**–**	**3**	**3**
Amount shown as current liability	**38**	**–**	**38**
	38	**3**	**41**

Notes to the financial statements continued

25 Provisions continued

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

The other provisions are expected to be incurred in the next financial year.

26 Deferred taxation

Deferred tax comprises:

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Timing differences relating to property, plant and equipment	**1,131**	4,048	**(2,520)**	–
Other timing differences in recognising revenue and expense items in other periods for taxation purposes:				
– research and development	**2,359**	2,202	**–**	–
– post-employment benefit provisions	**(1,880)**	(1,834)	**(273)**	(132)
– other short-term temporary differences	**(1,341)**	(2,161)	**(100)**	(526)
	269	2,255	**(2,893)**	(658)
The closing balance comprises:				
– deferred tax assets	**(3,038)**	(1,034)	**(2,893)**	(658)
– deferred tax liabilities	**3,307**	3,289	**–**	–
	269	2,255	**(2,893)**	(658)

The movements on deferred taxation during the year were as follows:

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Opening balance	**2,255**	3,540	**(658)**	(159)
Exchange differences	**219**	(1)	**–**	–
Credit for the year in income statement	**(2,167)**	(1,103)	**(1,995)**	(479)
Transfer of subsidiary's trade	**–**	–	**(99)**	–
Amounts credited to other comprehensive income	**(38)**	(181)	**(141)**	(20)
Closing balance	**269**	2,255	**(2,893)**	(658)

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 £2,643,000 (2010: £4,844,000) arising on temporary differences of £8,978,000 (2010: £17,845,000), 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	
	2011 £'000	2010 £'000
Expiring within one year	**-**	–
Expiring between two and 20 years	**467**	365
No expiry date	**2,043**	1,966
	2,510	2,331

Factors that may affect future tax charges in the UK

On 23 March 2011 the Chancellor announced a reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 20 March 2011 and therefore the effect of the rate reduction on the UK deferred tax balances as at 30 April 2011 has been included in the above figures.

In addition the Chancellor proposed further changes to reduce the main rate of UK corporation tax by one per cent each annum resulting in a tax rate of 23% in 2014. This change has not been substantively enacted and therefore not reflected in the above figures. The overall effect of the further reductions from 26% to 23%, if these rates applied to the deferred tax balances at 30 April 2011, would be to reduce the net deferred tax asset by £333,000.

27 Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Amounts shown as non-current liabilities				
Other payables	**365**	703	**-**	–
Accruals and deferred income	**7,073**	–	**-**	–
	7,438	703	**-**	–
Amounts shown as current liabilities				
Trade payables				
– third parties	**19,829**	18,131	**3,993**	4,524
– related parties	**-**	3	**-**	3
Amounts owed to subsidiaries	**-**	–	**14,075**	13,478
Amounts owed to associates	**1**	–	**-**	–
Other taxes and social security costs	**2,545**	2,977	**1,184**	1,019
Other payables	**12,682**	8,568	**3,711**	1,300
Accruals and deferred income	**12,228**	11,605	**3,542**	4,026
	47,285	41,284	**26,505**	24,350

Included in current liabilities – other payables, Group and Company, is £3,613,000 relating to the interim dividend, which was paid in May 2011. (2010: £900,000 interim dividend paid in May 2010).

Included in the Company figures – amounts owed to subsidiaries, are borrowings as detailed in note 17.

Notes to the financial statements continued

28 Operating leases

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

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Land and buildings				
Not later than one year	**4,842**	10,052	**1,057**	3,758
After one year but not more than five years	**8,381**	10,176	**955**	917
After five years	**1,536**	7,267	**31**	54
	14,759	27,495	**2,043**	4,729
Other				
Not later than one year	**973**	1,684	**586**	682
After one year but not more than five years	**1,004**	2,000	**700**	856
	1,977	3,684	**1,286**	1,538
Total				
Not later than one year	**5,815**	11,736	**1,643**	4,440
After one year but not more than five years	**9,385**	12,176	**1,655**	1,773
After five years	**1,536**	7,267	**31**	54
	16,736	31,179	**3,329**	6,267

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.

29 Capital commitments

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Contracts placed for future capital expenditure not provided in the accounts:				
– for supply by third parties of property, plant and equipment, mainly photobooths and vending machines	**1,428**	3,694	**-**	-

In addition, the Group's Operations companies have contracted with the Group's Sales & Servicing companies for the supply of machines totalling £622,000 (2010: £188,000), of which the Company's commitments total £158,000 (2010: £nil).

30 Contingent liabilities

The Group and the Company have issued guarantees as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Borrowings by subsidiaries	–	–	**114**	197
Other guarantees	–	5	–	5
	–	5	**114**	202

The Company has given guarantees for borrowings by subsidiaries. In addition, the Company and subsidiary undertakings have given other guarantees in the normal course of business to third parties. No losses are expected from guarantees given by the Company and subsidiary undertakings.

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 (2010: none).

31 Related parties

The following transactions were carried out with related parties:

Key management compensation

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Salaries and other short-term employee benefits				
– excluding ex-gratia and termination payments	**1,334**	1,484	**1,334**	1,361
– ex-gratia and termination payments	**50**	276	**50**	276
	1,384	1,760	**1,384**	1,637
Post-employment benefits	**8**	10	**8**	10
Share-based payments	**14**	4	**14**	4
	1,406	1,774	**1,406**	1,651

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 32 to 38. Certain executive directors, with UK salaries, are entitled to join the Company's Group Stakeholder Pension Plan, to which the Company contributes 5% of their basic salaries. The charge for the year was £8,000 (2010: £10,000). No director who served during the year was a member of the Company's defined benefit pension scheme (2010: none).

Notes to the financial statements continued

31 Related parties continued

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

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Sales of goods and services				
Related parties other than associates	130	1,205	–	4
Associates	92	152	–	–
	222	1,357	–	4
Purchases of goods and services				
Related parties other than associates	67	97	13	31
Associates	1	9	–	–
	68	106	13	31
Trade and other receivable balances				
Related parties other than associates	45	238	–	–
Associates	59	163	–	–
	104	401	–	–
Trade and other payable balances				
Related parties other than associates	–	3	–	3
Associates	1	–	–	–
	1	3	–	3

All transactions with related parties were conducted at arm's-length in the ordinary course of business.

Mr David, non-executive director and Life President has declared controlling interests in certain companies which have a trading relationship with the Group. The value of these transactions reflected in the income statement and in the statement of financial position is as shown in the table above under the heading related parties other than associates.

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.

The trade and other payable balances arise from normal trading.

Defined benefit pension scheme

The Company meets administration costs of the defined benefit scheme, which amounted to £64,000 (2010: £54,000).

Company transactions with subsidiaries

	2011 £'000	2010 £'000
Sales	215	479
Purchases	5,381	4,506
Amounts owed by subsidiaries	2,051	1,698
Amounts owed to subsidiaries	14,075	13,478

In addition, the Company has charged interest to subsidiaries of £15,000 (2010: £26,000), has been charged interest of £62,000 (2010: £55,000), has charged management fees of £1,119,000 (2010: £501,000), has been charged management fees of £1,156,000 (2010: £2,372,000) including £1,156,000 (2010: £669,000) as a contribution to research and development and has sold fixed assets to subsidiaries of £22,000 (2010: £34,000). The Company also acquired new fixed assets from subsidiaries of £2,765,000 (2010: £895,000).

Dividends received from subsidiaries were £14,871,000 (2010: £6,370,000) and from associates £65,000 (2010: £nil).

32 Group undertakings

The list below represents the principal subsidiary and associated undertakings of the Group at 30 April 2011, with details of the country of incorporation, which is the principal country of operation. 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			
Animate Fotofixe E Máquinas Automáticas Lda.	Operations	100%	Portugal
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 Holding France S.A.S.	Investment/ Property	100%*	France
Photo-Me Hungary K.f.t.	Operations	51%*	Hungary
Photo-Me Ireland Limited	Operations	100%	Ireland
Photo-Me Northern Ireland Limited	Operations	100%	Northern Ireland
Prontophot Austria G.m.b.H.	Operations	100%	Austria
Prontophot Belgium N.V.	Operations	100%	Belgium
Prontophot Holding S.A.	Investment	100%	Switzerland
Prontophot Holland B.V.	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
Shanghai Photo-Me	Operations	100%*	China
Associated undertakings			
Fullwise International Limited	Operations	33%	Hong Kong
Max Sight Limited	Operations	33%	Hong Kong
Photo Direct Pty Ltd	Sales & Servicing	33%	Australia
Photomaton Maroc SARL	Operations	50%	Morocco

Notes to the financial statements continued

33 Transfer of trade and assets – Company

On 30 April 2011 Photo-Me International plc acquired the trade and net assets of its subsidiary, Photo-Me Northern Ireland Ltd for a consideration equal to fair value. Photo-Me Northern Ireland from that date is no longer trading.

The table below shows the assets and liabilities acquired.

	£'000
Non-current assets	
Property, plant and equipment	**125**
Deferred tax assets	**99**
	224
Current assets	
Inventories	**9**
Trade and other receivables	**197**
Current tax	**42**
Cash and cash equivalents	**233**
	481
Total assets	**705**
Current liabilities	
Trade and other payables	**148**
	148
Net assets acquired	**557**
Satisfied by	
Reduction in inter-company balance receivable	**557**

Five year summary
for the years ending 30 April

Income statement

	2011 £'000	2010* £'000	2009* £'000	2008* £'000	2007* £'000
Revenue					
Operations	**176,852**	172,456	166,144	150,139	145,033
Sales & Servicing	**42,968**	51,810	59,147	60,701	73,563
Total revenue	**219,820**	224,266	225,291	210,840	218,596
Operating profit/(loss) after special items before finance costs	**18,388**	13,595	(16,687)	(19,333)	13,873
Net finance cost	**(385)**	(1,283)	(3,401)	(3,064)	(1,371)
Profit/(loss) before tax	**18,003**	12,312	(20,088)	(22,397)	12,502
Taxation	**(4,252)**	(2,484)	2,351	2,584	(5,101)
Profit/(loss) after taxation	**13,751**	9,828	(17,737)	(19,813)	7,401
Attributable to:					
– Equity owners of the Parent	**13,608**	9,722	(15,622)	(19,908)	7,804
– Non-controlling interests	**143**	106	(2,115)	95	(403)
	13,751	9,828	(17,737)	(19,813)	7,401

* Including discontinued operations.

Statement of financial position

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Intangible assets	**20,461**	19,773	19,038	30,461	31,912
Property, plant and equipment	**52,596**	61,219	77,526	82,955	87,435
Other non-current investments	**598**	583	716	595	99
Other non-current assets	**6,922**	3,441	2,503	2,069	2,084
Current assets	**97,539**	84,418	69,729	101,728	105,832
Assets held for sale	**-**	-	8,008	469	-
Total assets	**178,116**	169,434	177,520	218,277	227,362
Share capital	**1,844**	2,039	2,037	2,037	2,035
Treasury shares	**(5,802)**	(5,802)	(5,802)	(5,802)	(1,967)
Reserves	**91,778**	81,323	76,618	80,697	98,233
Non-controlling interests	**935**	792	781	2,589	2,135
Total equity	**88,755**	78,352	73,634	79,521	100,436
Total non-current liabilities	**20,595**	25,298	38,022	45,203	33,656
Total current liabilities	**68,766**	65,784	58,063	92,269	93,270
Liabilities held for sale	**-**	-	7,801	1,284	-
Total equity and liabilities	**178,116**	169,434	177,520	218,277	227,362
Net cash/(debt)	**40,679**	8,077	(23,499)	(45,563)	(27,719)

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.

Company information and advisors

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The Registry
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Beckenham
Kent
BR3 4TU

Group executives with year of commencement

United Kingdom and Ireland

L Antony	1997
A Carey	1993
R J Cheeseman	1982
F De Freitas	1999
R Dicey	1993
O Gimpel	2010
P Gurdin	1990
C Holbrook	1994
T Huskisson	2005
A F Lees	2000
D Mansi	2006
G Mercier	2000
S Merrikin	2004
G S Turner	2001

Asia

H Ashizawa	1998
R Costi	1969
S Nakagawa	2007
C Pietraszkiewicz	1989
A Shen	2007
L Tan	1995
A Tomlinson	1994
N Utsugi	1972

Continental Europe

R Arens	2002
L Bernard	1979
L Bourdelain	1999
P Buendia	2010
D de Biasi	2008
C Duret	1984
A Fraile	1984
T Galloux	2007
S Gibon	1996
I Gijsbers	2004
S Gougache	2006
G Gyorko	1992
H D Hestermann	1971
V Hox	2001
A Iapozzutto	2004
O Jäger	1991
P Lavergne	1994
P Locatelli	1983
J Machado	1999
Y Manissadjian	2000
M Mayaud	1990
R Naumann	2005
T Nowaczyk	2006
W Point	1979
J L Sattler	1978
I Semenoff	2009
H Suter	1990
N Villard	2006
C Waser	2004

Shareholder information

Analysis of registered shareholdings at 28 June 2011

	Number of holdings	Number of Ordinary shares	% of issued Ordinary share capital
Category:			
Individuals	2,553	11,238,214	3.0
Nominees	357	213,137,676	57.8
Other corporate bodies	53	144,474,009	39.2
	2,963	368,849,899	100.0
Size of holding:			
1 – 1,000	1,473	751,655	0.2
1,001 – 10,000	1,146	3,482,074	1.0
10,001 – 100,000	238	7,482,358	2.0
100,001 – 500,000	64	14,386,698	3.9
500,001 – 1,000,000	18	12,594,323	3.4
1,000,001 and above	24	330,152,791	89.5
	2,963	368,849,899	100.0

The above analysis includes the treasury shares held by the Company.

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

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:

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

Financial calendar

Annual General Meeting		6 October 2011
Half year results		
(to 31 October 2011)		Announcement in December 2011
Full year results		
(to 30 April 2012)		Announcement in June/July 2012
Dividend		
Final (year to 30 April 2011)	– ex-dividend date	21 September 2011
	– record date	23 September 2011
	– payment date	7 November 2011

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