PUTTING YOU IN THE PICTURE
FOR 50 YEARS

Photo-Me International plc
Annual Report 2012

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

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

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

Providing ID photos for 50 years

2012 HIGHLIGHTS

Revenue

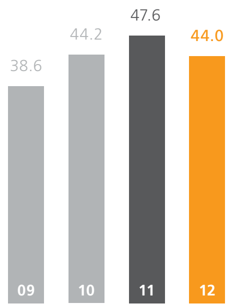
£207.8m

-5.4%

EBITDA

£44.0m

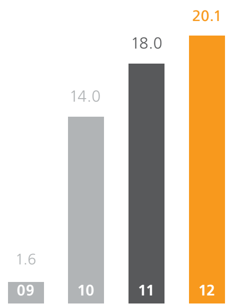
-7.4%



Pre-tax profit

£20.1m

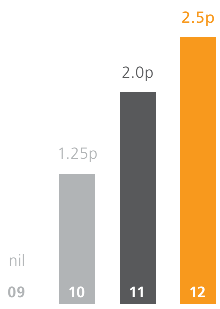
+11.9%



Dividends per share

2.5p

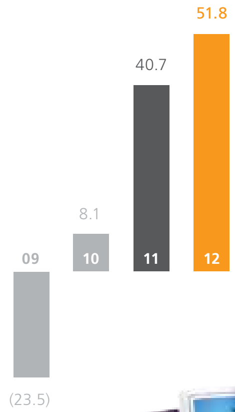
+25.0%



Net cash/(debt)

£51.8m

+27.4%



"We have continued to improve our profitability thanks to a robust performance from our Operations division"
John Lewis

50 YEARS OF PHOTO-ME

1960's

1962

Photo-Me International floats on the London Stock Exchange

1966

Photo-Me's black and white photos are granted approval for British passports

1980's

Photo-Me's international expansion continues by the opening of operations in new territories and by acquisition

1970's

More passport approval, this time for Photo-Me colour pictures

1990's

Photo-Me merges with French company, KIS, which invented the world's first digital photobooth

The European Prontophot Group of companies acquired – increasing the Group's photobooth operations

2000's

Products such as digital printing kiosks and childrens' rides lead the Group's diversification programme

2010's

The new Photo-Me booth by Starck® introduces the ultimate photobooth solution using state-of-the-art technology

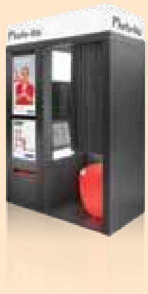
Unique instant photobook kiosks also invented by Photo-Me

PHOTO-ME AT A GLANCE

Our Products

Photobooths

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



Digital Printing Kiosks

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

Mini Labs

The new DKS 18 series of professional digital minilabs uses the latest image enhancing technologies and offers print formats of up to 12"x36".

Amusement

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

Photobooks

The Photobook Maker and MyPocketbook are the only self-service kiosks in the world to produce instant photobooks, automatically, in a few minutes.

The Photobook Builder links with a minilab, offering professional photographic retailers the potential to sell added value products.

Business Services

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

The market leader, with a reputation for quality equipment supported by an excellent service operation

UK & Ireland:
United Kingdom
and Ireland

14,950 sites

Asia:
China, Japan
and Singapore

8,950 sites

Continental Europe:
Austria, Belgium,
France, Germany,
Hungary, Luxembourg,
Netherlands, Portugal,
Switzerland

19,400 sites

2000's
Awards frequently received for Best Photo Printing Technology and Innovative Products

CHAIRMAN'S STATEMENT

These are Photo-Me's 50th set of annual results since its listing as a public company in 1962. It is my pleasure therefore to report another year of progress, in global economic circumstances which are probably unprecedented in the Group's history.

Results

Despite revenue being 5.4% lower over the year, we have continued to improve our profitability thanks to a robust performance from our Operations division in our key geographic markets. Although we experienced disappointing trading in Sales & Servicing, where further restructuring is proving necessary, we have again witnessed a good improvement in Group pre-tax profit, from £18.0 million last year to £20.1 million this year and a further increase in our net cash resources, which increased by £11 million to nearly £52 million.

Strategy

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

We have made good progress over the last two years implementing this, with the introduction of the new designer photobooth by Starck, a new minilab and a range of pocketbook and photobook machines. However, while the rollout of the new photobooth has gone according to plan, other product sales have been adversely affected by weakness in the global economy, curtailing capital investment both from large corporations and individual retailers.

Costs

We have borne down on costs in the recent past but the continued travails caused by the worldwide recession have led us to undertake additional changes this year. We have restructured further the French Sales and Servicing subsidiary and transferred management control to the CEO of the European activities. This means that there is now a centralised logistics platform for the Group and we have made savings by reducing both the level of stocks and staff numbers.

In addition, we have introduced new software relating to both the analysis of machine takings – which will allow better ongoing management – and accounting, with a reduction in associated licence costs.

Dividends

We reintroduced dividend payments in 2010. That year we paid 1.25 pence per share and last year we increased that by 60% to 2.0 pence per share. This year, we are pleased to be recommending a final dividend of 1.25 pence to give a total dividend for the year of 2.5 pence, representing a further increase of 25% over the year.

If approved at the Annual General Meeting on 13 September 2012, the final dividend will be paid on 7 November 2012 to shareholders on the register at the close of business on 28 September 2012. The ex-dividend date is 26 September 2012.

Board

In September 2011 the Board was deeply saddened to lose Dan David, who passed away suddenly. Dan served on the Board for two periods: from 1968 to 2007 (including periods as Executive Chairman from 1992 to 1998 and as Non-executive Chairman from 1998 to 2005) and from July 2009, as a Non-executive Director. In 2005 Dan was appointed Honorary Life President of the Company in recognition of his significant contribution to the development of the Company and its Group.

In March 2012 the Board was strengthened by the appointment of Jean-Marcel Denis and Yitzhak Apeloig as Non-executive Directors. Due to his strong financial background, Jean-Marcel has been appointed Chairman of the Audit Committee.

The Board once again anticipates further progress over the coming year

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

Outlook
Our balance sheet is strong and we are continuing to reduce our costs. Despite the difficult trading background we intend to press ahead with new product development and we remain keen to add to our current portfolio of businesses if the right opportunities arise.

Subject to the risks and uncertainties detailed in the Business and Financial Review, the Board once again anticipates further progress over the coming year.

John Lewis
Non-executive Chairman

BUSINESS AND FINANCIAL REVIEW

Business Review

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

Operations – which comprises the operation of unattended vending equipment, primarily photobooths, digital 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.

Combined

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

The Group continued to improve its overall profitability. Geographically, the Asian business recovered from the previous year's earthquake in Japan and the UK and Europe both improved despite the European business being adversely affected by a weak performance in its Sales & Servicing division.

Geographical analysis of revenue and profit (by origin)

	Revenue			Operating profit		
Year to 30 April	**2012 £m**	2011 £m	Change %	**2012 £m**	2011 £m	Change %
Continental Europe	**114.0**	122.9	-7.2	**13.6**	13.3	+2.7
UK & Republic of Ireland	**47.6**	53.6	-11.2	**2.5**	2.0	+23.0
Asia	**46.2**	43.3	+6.7	**3.9**	3.1	+26.2
	207.8	219.8	-5.4	**20.0**	18.4	+8.9

Continental Europe, which includes the largest of the Group's Operations activities, together with 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.

Operations

	Revenue			Operating profit		
	2012 £m	2011 £m	Change %	**2012 £m**	2011 £m	Change %
Year to 30 April	**178.0**	176.8	+0.7	**25.1**	21.2	+18.7

Operations contributed 86% (2011: 80%) of revenue. Divisional revenue increased by 0.7%, but operating profit rose by 18.7%, led by a strong French performance, but there were also improvements in Germany (where management has been strengthened), Switzerland and Japan.

At the year end, the total number of vending machines sited worldwide was 43,300 (2011: 43,700), the small reduction in the year comprising an increase of over 1,000 in the number of photobooths, combined with a reduction in the quantity of low value amusement machines. With 23,500 now sited, photobooths represent more than half of the total estate of 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, 86% of sites are located in three territories – the UK & Ireland, France and Japan. By area, Continental Europe accounted for 19,400 (2011: 18,300) sites; the UK & Ireland for 14,950 (2011: 16,850); and Asia for 8,950 (2011: 8,550). 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 prepare for the next generation of products.

In the UK & Ireland, revenue from Operations was down 8.7% and operating profits were 7.9% lower, with the principal reasons for this being the loss of part of the business of supplying driving licence photographs and an economic climate that remains testing. There have been some reductions in staff numbers in the UK and this area has now been brought fully under the control of the CEO of the European activities, who has done an excellent job in running Continental Europe. Indeed, in Europe, Operations revenues rose by 3.3%, while operating profits were 28.1% higher, led once again by a strong showing from France, but with good support from other areas, such as Switzerland and Germany. Asian revenues (up 5.7%) and profits (up 21.9%) reflect the recovery from the adverse effect of the Japanese earthquake in the previous year.

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 over a thousand, bringing to 23,500 the total number of sites, internationally.

The roll-out of the Group's new designer Photobooth by Starck – is progressing to plan and results to date have been encouraging. Whilst there were only 370 in operation at year-end, the target over the next two years is to increase this by 2,000.

Progress in China has been slower than had originally been anticipated, but the Group now has operating licences in Shanghai, Beijing and Guangzhou. This market needs to be considered a long-term development prospect.

Digital printing kiosks and Photobook makers

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 machine (producing prints or a printed 10x15cm photo album) gives Photo-Me a unique market offering. The range has now also been augmented by the ability to produce large-format prints.

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 coin-operated children's rides. The latest range of simulator-type rides is generating encouraging results.

Sales & Servicing

	Revenue			Operating profit/(loss)		
	2012 £m	2011 £m	Change %	**2012 £m**	2011 £m	Change %
Year to 30 April	**29.8**	43.0	-30.7	**(2.4)**	0.5	-556.9

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

Revenue decreased by 30.7% and a loss of £2.4 million was recorded compared to a profit of £0.5 million in 2011.

This year's result from KIS (the R&D and manufacturing unit in France) was very disappointing, with sales of product constrained by the unwillingness of large companies to invest in new equipment in the current market, while individual retailers have been unable to access capital in many cases. Whilst the business has been rationalised and restructured in the recent past, a far more significant restructuring has been started which has resulted in both a reduction in staff numbers and the transference of the maintenance and refurbishing activities of KIS into a new Group company under the management of the CEO of the European activities. The refurbishing activities in particular are very important for the Operations division and the new smaller company will be more efficient and focused.

The Group remains in discussions with existing OEM customers regarding further orders for its pocketbook makers and photobook builders. The prospects for the latter should also be enhanced by the ability to process inkjet material. Sales of the Group's new DKS4 minilab have made a slow start, as the background in the photographic market remains difficult, as demonstrated by Kodak's move into Chapter 11 in early 2012.

Financial Review

Statement of comprehensive income

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

	Revenue			Operating profit/(loss)		
Year to 30 April	**2012 £m**	2011 £m	Change %	**2012 £m**	2011 £m	Change %
Operations	**178.0**	176.8	+0.7	**25.1**	21.2	+18.7
Sales & Servicing	**29.8**	43.0	-30.7	**(2.4)**	0.5	-556.9
Group overheads				**(2.7)**	(3.3)	+20.0
	207.8	219.8	-5.4	**20.0**	18.4	+8.9

Operating Profit

(2010: excluding special items and discontinued activities)

Foreign exchange rate movements had little effect on the revenue and operating profit, both divisionally and centrally.

Turnover decreased by 5.4% to £207.8 million.

EBITDA was 7.4% lower at £44.0 million (2011: £47.6 million), but the figure remains substantial, representing 21.2% of revenue.

Operating profit improved by 8.9% from £18.4 million to £20.0 million.

Net finance revenue was £0.1 million, compared to net finance costs of £0.4 million last year. The pre-tax profit increased by 11.9% to £20.1 million (2011: £18.0 million).

After a tax charge of £5.6 million (2011: £4.3 million), representing a charge of 27.8% (2011: 23.6%) the profit after tax of £14.5 million (2011: £13.8 million) reflected a 5.8% improvement.

The fully diluted earnings per share from continuing operations were 3.95 pence (2011: 3.74 pence).

Statement of financial position

Shareholders' equity totalled £95.8 million (2011: £87.8 million), equivalent to 26.4 pence (2011: 24.3 pence) per share.

Cash generation has remained strong and we finished the year with a net cash balance of £51.8 million (2011: £40.7 million), leaving the Group well placed for the future. The improvement in the net cash position has been very substantial over the past three years, with a net change of £75.3 million from net debt of £23.5 million at 30 April 2009.

Funding and treasury policy

The £11 million net cash inflow is explained in the following summarised cash flow statement:

	2012 £m	2011 £m
Opening net cash	**40.7**	8.1
Cash flow		
Operating profit	**20.0**	18.4
Depreciation	**24.0**	29.2
Working capital	**0.5**	10.7
Taxation	**(5.3)**	(2.3)
Interest paid	**(0.6)**	(0.8)
All others	**(2.1)**	0.1
Operating cash flow	**36.5**	55.3
Use of cash flow		
Net capital expenditure	**(17.5)**	(19.5)
Dividends paid	**(7.2)**	(4.5)
All others	**(0.7)**	1.3
	(25.4)	(22.7)
Net cash inflow	**11.1**	32.6
Closing net cash	**51.8**	40.7

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. At 30 April 2012, the Group's borrowings were mainly short-term, a situation which is untypical. The Group is currently evaluating new borrowing sources.

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

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

Financial instruments

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 the following risks arising from financial instruments: credit risk, liquidity risk and market risk.

Credit risk

To minimise the credit risk relating to cash at bank in the current uncertain economic times, the Group regularly reviews its relationships with banks. During the year it has sought to ensure that cash at bank is spread amongst the leading banks in the countries concerned, being financial institutions that have a strong credit rating.

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 2012 the Group had a net cash balance of £51.8 million. Surplus funds are generally available at short notice.

Market risk

Market risk arises from changes in 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 regularly 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. At both 30 April 2012 and 30 April 2011 the majority of the Group's borrowings were subject to floating rates of interest.

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.

	2012	2011	Change
Vending sites:			
Total	**43,300**	43,700	-0.9%
Photobooths	**23,500**	22,400	+4.9%
Digital printing kiosks & photobook makers	**5,100**	5,050	+1.0%
Other vending equipment	**14,700**	16,250	-9.5%
Revenue:			
Total	**£207.8m**	£219.8m	-5.4%
Operations	**£178.0m**	£176.8m	+0.7%
Sales & Servicing	**£29.8m**	£43.0m	-30.7%
EBITDA	**£44.0m**	£47.6m	-7.4%
Operating profit/(loss):			
Total	**£20.0m**	£18.4m	+£1.6m
Operations	**£25.1m**	£21.2m	+£3.9m
Sales & Servicing	**£(2.4)m**	£0.5m	-£2.9m
Group overhead	**£(2.7)m**	£(3.3)m	+£0.6m
Increase in net cash position	**£11.1m**	£32.6m	-£21.5m
Gearing ratio	**–**	–	–
Gross capital expenditure	**£19.1m**	£20.6m	-£1.5m
Depreciation and amortisation	**£24.0m**	£29.2m	-£5.2m
Research and development expenditure (including amounts capitalised)	**£3.6m**	£4.1m	-£0.5m
Research and development expenditure as a percentage of Sales & Servicing revenue (including inter-segment sales)	**7.1%**	6.4%	+0.7%

Financial objective

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

…we finished the year with a net cash balance of £51.8 million, leaving the Group well placed for the future

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 the Group's customers: sales of equipment to retail customers are dependent upon the ability of the Group's customers to find capital finance providers

- Consumer spending contraction: the worldwide recession could lead to reductions in discretionary spending, impacting upon the Group's Operations revenues

- Volatility in foreign exchange rates: as the large majority of the Group's revenue and profits are generated outside of the UK, Group results could be adversely impacted when those currencies are translated into Sterling

Operational risks

- Reduction in the retail site-owner base: with the possible collapse of additional established retail chains, which traditionally have provided the base of sites for the Group's vending equipment, the Group could lose Operations revenue streams and the market for equipment in the Sales & Servicing activity could be reduced

- Reliance on OEM sales: the Group's Sales & Servicing business is heavily dependent on its ability to secure further material orders for the photobook maker suite of products

Risks related to regulation

- Centralisation of production of ID photos: in many European countries where the Group operates, if governments were to implement centralised image capture for biometric passport and other applications, the Group's Operations revenues and profits could be seriously affected

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

The Year in Review

BOARD OF DIRECTORS AND SECRETARY

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1. John Lewis OBE
Non-executive Chairman

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

2. Serge Crasnianski
Chief Executive Officer and Deputy Chairman

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

3. Françoise Coutaz-Replan
Group Finance Director

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

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4. Emmanuel Olympitis
Non-executive Director

Appointed to the Board in December 2009. Senior Independent Non-executive Director, Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees. Previous directorships include China Cablecom Holdings Limited (NASDAQ), 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.

5. Jean-Marcel Denis
Non-executive Director

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

6. Yitzhak Apeloig
Non-executive Director

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

7. 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 2012. 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 95.

Results and dividends

The results for the year are set out in the Group statement of comprehensive income on page 38.

The directors recommend a final dividend of 1.25p per Ordinary share which, if approved at the Annual General Meeting, will be paid on 7 November 2012 to shareholders on the register at 28 September 2012 (ex-dividend date: 26 September 2012). This, together with the interim dividend of 1.25p per share paid on 8 May 2012, makes a total dividend for the year of 2.5p 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 £4,021,000 that is included in these financial statements.

Research and development

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

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

Employees

Information on the Group's employment practices is contained within the Corporate Responsibility statement on page 25 and 27.

Board of directors and their interests

Details of the current directors of the Company can be found on page 16, together with a brief biography of each director. John Lewis, Serge Crasnianski, Françoise Coutaz-Replan and Emmanuel Olympitis served on the Board throughout the year under review. Jean-Marcel Denis was appointed to the Board on 1 March 2012 and Yitzhak Apeloig was appointed on 8 March 2012.

The other director who served during the year was Dan David, who died on 6 September 2011.

As newly appointed directors, Jean-Marcel Denis and Yitzhak Apeloig will stand for re-appointment at the Annual General Meeting in accordance with the Company's Articles of Association. The directors retiring by rotation and being put forward for re-appointment at the Annual General Meeting this year are Serge Crasnianski and Françoise Coutaz-Replan.

Details of the directors' contracts, emoluments and interests in shares and share options are given in the Remuneration Report on page 28 to 34.

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 27 June 2012, the Company has been notified of the following disclosable interests in the Ordinary shares of the Company:

	Number of Ordinary shares	% of total voting rights	Nature of holding
Serge Crasnianski (director)	79,783,450	22.01	Direct
Western Management Overseas Ltd	65,963,267	18.20	Direct
Dan David Foundation	45,579,318	12.58	Direct
Schroder Investment Management Limited	42,560,528	11.74	Indirect
Norges Bank	14,400,000	3.97	Direct

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

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

Share capital

The issued share capital of the Company, together with details of the movements in the Company's issued share capital during the year, are shown in note 20 to the financial statements. Each Ordinary share of the Company carries one vote at general meetings of the Company. Following the exercise of share options since 30 April 2012, the number of shares in issue has increased to 369,980,563, of which 362,475,563 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 2012 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 2012. 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 is set out in the Corporate Governance report on pages 21 to 24. 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 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.

Related party transactions

Details of related party transactions are set out in note 29 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 2012 was 53 days (2011: 43 days).

Going concern

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

Financial instruments

Details of the financial risk management objectives and policies of the Group and exposure of the Group to foreign exchange risk, interest rate risk and liquidity risk are given on pages 12 to 15 and note 15 to the financial statements.

Disclosure of information to auditors

The directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he 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 auditor 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 13 September 2012, 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

27 June 2012

CORPORATE GOVERNANCE
(forming part of the Report of the Directors)

The Financial Services Authority requires listed companies to disclose, in relation to the UK Corporate Governance Code (the "Code"), 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, the Board lost one of its members, Dan David, who died on 6 September 2011. The Board was strengthened by the appointment of additional non-executive directors, Jean-Marcel Denis on 1 March 2012 and Yitzhak Apeloig on 8 March 2012.

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

For the period until 1 March 2012, the Company acknowledges that its Board structure was non-compliant with the 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 became compliant with the Code on the appointment of Jean-Marcel Denis, who the Board considers to be an independent non-executive director. The Board believes that Yitzhak Apeloig is non-independent, due to his existing business relationships with two major shareholders of the Company. Before his appointment, Yitzhak Apeloig confirmed to the Board that he will not represent these shareholders, holds no mandate from them, nor will he report to them.

The Company had no Senior Independent Non-executive Director for the period to 1 March 2012, when Emmanuel Olympitis was appointed to that position.

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

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

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

The Board continued

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 below.

Number of meetings held	Board meetings 7	Audit Committee 2	Remuneration Committee 4	Nomination Committee 2
	Number of meetings attended (maximum possible)			
Director				
J Lewis	7(7)	2(2)	4(4)	2(2)
S Crasnianski	*6(6)	n/a	n/a	n/a
Y Apeloig	1(1)	n/a	n/a	n/a
F Coutaz-Replan	7(7)	n/a	n/a	n/a
D David	2(2)	n/a	n/a	n/a
J-M Denis	1(1)	0(0)	0(0)	1(1)
E Olympitis	7(7)	2(2)	4(4)	2(2)

*Serge Crasnianski did not attend one meeting as he had declared an interest in the subject matter under discussion.

Board Committees

The Audit Committee

The Audit Committee consists entirely of non-executive directors. For the whole of the year under review, Emmanuel Olympitis and John Lewis (Chairman of the Company) served on the Committee, with Emmanuel Olympitis as Chairman of the Committee until 1 March 2012. Jean-Marcel Denis was appointed to the Committee, as its Chairman, on 1 March 2012. The Code permits a smaller company's Chairman to be a member of the Audit Committee. The Board considers that both Emmanuel Olympitis and Jean-Marcel Denis have suitable recent and relevant financial experience to satisfy the requirements of the Code. However, for the period to 1 March 2012, the Company did not comply with the 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. Details of audit and non-audit fees are provided in note 4 to the financial statements.

KPMG Audit Plc has been the external auditor of the Group since December 2008. The Audit Committee is satisfied with the effectiveness, objectivity and independence of the external auditor 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 Emmanuel Olympitis (Committee Chairman), and John Lewis (Company Chairman). In addition, Jean-Marcel Denis was appointed to the Committee on 1 March 2012. For the period until 1 March 2012, the composition of the Committee was non-compliant with the provisions of the Code which requires the Remuneration Committee of a smaller company to comprise at least two independent non-executive directors with the Company Chairman additionally being permitted to serve as a member providing that he was considered independent on his appointment as Company Chairman.

The Committee meets at least once per year. Four meetings were held in the year to 30 April 2012.

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 28 to 34 provides details of how the Committee applies the directors' remuneration principles of the Code.

The Nomination Committee

During the year under review, the Nomination Committee initially comprised John Lewis (Committee Chairman) and Emmanuel Olympitis. Jean-Marcel Denis was also appointed to the Committee on 1 March 2012. For the period until 1 March 2012 the composition of the Committee was non-compliant with the provisions of the Code which requires the Nomination Committee of a smaller company to comprise a majority of independent non-executive directors with the Company Chairman additionally being permitted to serve on the Committee as a member or as chairman.

The Committee, which meets as required, makes recommendations to the Board on the appointment of new directors. The Committee met on two occasions during the year to consider the appointment of new directors. 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. The Senior Independent Non-executive Director and, where appropriate, other non-executive directors, are also made available to meet with major shareholders, on request. Any pertinent feedback arising from such meetings is reported to the Board at its regular meetings.

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

CORPORATE GOVERNANCE CONTINUED

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.

The Group Internal Audit Manager (who reports to the Audit Committee) has reviewed operations in all material Group companies during the year under review. The Audit Committee receives reports from the 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 UK Corporate Governance Code

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

- for the period to 1 March 2012, 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 B.1.2);
- for the period to 1 March 2012, the Company had no Senior Independent Non-executive Director (Provision A.4.1); and
- for the period to 1 March 2012 the composition of the Audit, Remuneration and Nomination Committees was non-compliant, (Provisions C.3.1, D.2.1 and B.2.1).

Following the various appointments on 1 March 2012, the Company is now in compliance with all Code provisions.

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.

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

Products

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

To ensure that products manufactured by KIS (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 the safety of our customers and business partners is achieved through a network of trained service operatives who routinely service installed equipment on customers' sites as well as conducting periodic safety inspections and tests. Customers and site owners are able to quickly raise any safety concerns through our own call centres, which will immediately inform management and direct an operative to the site.

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

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

Within the UK, the Chief Operating Officer fully supports the Health & Safety Policy and has ensured that there is provision within the agenda of regular senior executive meetings to address health and safety matters. The policies and procedures developed over the years continue to be reviewed and adjusted as part of the process of continual improvement as well as keeping pace with legislative change. We believe that it is important to empower individuals at all levels and give them the tools and skills they require, through providing relevant training and information, if we are to achieve the standard of health and safety performance to which Photo-Me aspires. During the last year nearly 10% of our UK employees, at various levels, received a recognised qualification from the National Examining Board of Occupational Health and Safety. A further 20% passed the nationally recognised Construction Skills Health & Safety Test.

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

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

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

Environment

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

- consistently reducing, in previous years, the amount of obligated waste produced. During the current year the UK operations was able to maintain the gains previously achieved;
- 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) photobooths during closing hours which saves around 30% of power consumption on site;
- through remote telemetry systems being able to reduce the number of service visits to a minimum and reduce wastage of consumables;
- the substitution of old technology lighting with new low energy lamps in all photobooths. The new Photobooth by Starck uses the latest LED lighting which also eliminates the hazardous waste associated with fluorescent tubes; and
- the replacement of the majority of old CRT monitors with new flat screen technology which is more energy efficient and also eliminates the associated hazardous waste.

Although we are not presently exposed to material risks related to climate change, we are taking proactive steps to ensure that our energy use and demand on natural resources are reduced wherever possible. In addition to the examples highlighted above, Photo-Me operates a green fleet policy which specifies that vehicles are sourced according to practicality and environmental impact as defined in terms of CO2 emissions. We have achieved a 16% reduction in vehicle CO2 ratings in four years. Our target, over the next 12 months, is to achieve a further reduction of 2% compared to the 2008 fleet, which will save 80 tonnes of CO2 from entering the atmosphere each year. This goal is supported by the Company's Road Risk Policy which assists in reducing fuel consumed as well as an overall reduction in the number of miles driven.

REMUNERATION REPORT

The Remuneration Committee

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

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

	Date of appointment as Committee Member
Emmanuel Olympitis (Committee Chairman from 5 July 2010)	7 December 2009
John Lewis	9 July 2008
Jean-Marcel Denis	1 March 2012

For the period until 1 March 2012 the composition of the Committee was non-compliant with the provisions of the Code which requires the Remuneration Committee of a smaller company to comprise at least two independent non-executive directors with the Company Chairman additionally being permitted to serve as a member providing that he was considered independent on his appointment as Company Chairman. The Committee became compliant with the Code on the appointment of Jean-Marcel Denis as a Committee member on 1 March 2012.

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

The Committee also 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 can comprise the following main elements:

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

Basic salary

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

Since her appointment in September 2009, Françoise Coutaz-Replan, Group Finance Director, has received a basic annual salary of £150,000.

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

The basic salaries of all executive directors are reviewed annually on 1 May. No executive directors received increases in their basic salaries during the year, and the Committee has determined that no increases will be applied on 1 May 2012.

Annual bonus

The executive directors are eligible for annual bonuses based upon the financial performance of the Group and the attainment of personal objectives. The maximum award level for the year under review and the forthcoming year for Serge Crasnianski was 100% of basic salary and for Françoise Coutaz-Replan it was 50% of basic salary. In respect of Serge Crasnianski, the whole of his bonus relates to the Group's pre-tax profit performance, with 50% of basic salary being paid as a bonus if pre-tax profit for the year exceeded that of the previous year, a 75% bonus for exceeding the previous year by 5% and a 100% bonus for exceeding the previous year by more than 10%. The bonus for Françoise Coutaz-Replan is based on a similar sliding scale, with the relevant percentages being 15%, 25% and 35% of her basic salary. In addition, a further bonus of up to 15% of her basic salary will be awarded for the achievement of personal objectives. The contracts of Serge Crasnianski and Françoise Coutaz-Replan provide that if the Remuneration Committee so decides at its sole option, a maximum of 50% of any bonus awarded may be paid in the form of shares in the Company which must be held by the director for a minimum period of three years from the date of issue, whilst remaining in the Company's employment.

In accordance with the targets set for the year, the Committee has determined that, as the Group's pre-tax profit improved by more than 10% for the year to 30 April 2012, a 100% bonus will be paid to Serge Crasnianski and a 35% bonus will be paid to Françoise Coutaz-Replan. The Committee has also decided that a 15% bonus will be paid to Françoise Coutaz-Replan in respect of the achievement of her personal objectives for the year. Having regard to the existing substantial share interests of Serge Crasnianski in the Company, and the level of bonus earned by Françoise Coutaz-Replan, the Committee has decided that the bonuses to both executives should be paid fully in cash, for the year under review.

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

Share options

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

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

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

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

The only options granted to current directors under the Scheme have been to Françoise Coutaz-Replan and are summarised in Table 3 on page 33. Options were granted in the year under review to Françoise Coutaz-Replan on 4 July 2011 (21.75% of her salary) and 13 December 2011 (89.17% of her salary).

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

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

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 salaries. This only applied to Françoise Coutaz-Replan, for whom the Company contributions at the rate of 5% of her basic salary were:

	2012 **£**	2011 £
Françoise Coutaz-Replan	**7,500**	7,500

Other benefits

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

Service agreements

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

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

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

The Committee's policy is that no future executive director's service agreement shall be 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.

Non-executive directors are not entitled to participate in any Group pension scheme nor will they be granted any awards under the Company's share option scheme or annual bonus plan. No non-executive directors received any benefits-in-kind, apart from Dan David who benefited from private health insurance, in recognition of his position as Life President.

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

	Date of last appointment	End of period of appointment
Non-executive directors		
John Lewis	AGM 2011	AGM 2014
Yitzhak Apeloig	8 March 2012	AGM 2012
Dan David	AGM 2009	n/a
Jean-Marcel Denis	1 March 2012	AGM 2012
Emmanuel Olympitis	AGM 2010	AGM 2013

Appointments outside the Group

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

Directors' remuneration

Table 1 (Audited information)

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

	Note	2012 Salary/ Fees £	2012 Bonus[1] £	2012 Benefits[2] £	2012 Total £	2011 Total £
Executive directors						
Serge Crasnianski	3	**446,000**	**446,000**	**6,693**	**898,693**	893,312
Françoise Coutaz-Replan		**150,000**	**75,000**	**20,414**	**245,414**	230,548
Non-executive directors						
John Lewis	4	**120,000**	**–**	**–**	**120,000**	116,718
Yitzhak Apeloig	5	**5,205**	**–**	**–**	**5,205**	–
Dan David	6	**12,415**	**–**	**6,127**	**18,542**	45,034
Jean-Marcel Denis	7	**6,667**	**–**	**–**	**6,667**	–
Emmanuel Olympitis		**45,000**	**–**	**–**	**45,000**	44,128
Hugo Swire	8	**–**	**–**	**–**	**–**	54,615
		785,287	**521,000**	**33,234**	**1,339,521**	1,384,355

Notes:

1. Bonuses are those awarded in respect of performance in the financial year.
2. Benefits can include private medical insurance, company cars and overseas housing allowances.
3. The emoluments of Serge Crasnianski shown above, include fees and bonus totalling £650,000 (2011: £650,000) payable to a third party in respect of making available the services of Serge Crasnianski to the Company.
4. John Lewis, previously a non-executive director, was appointed Chairman on 17 May 2010. The 2012 fee stated above includes an amount of £90,000 (2011: £87,538) paid to a third party in respect of making available the services of John Lewis to the Company.
5. Yitzhak Apeloig was appointed to the Board on 8 March 2012.
6. Dan David died on 6 September 2011.
7. Jean-Marcel Denis was appointed to the Board on 1 March 2012.
8. Hugo Swire resigned from the Board on 14 May 2010.

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 were considered to be non-beneficial. The interests in Ordinary shares at 27 June 2012 are analysed between those registered in their own names, and those registered in other names.

	Note	1 May 2011 (or date of appointment if later)	30 April 2012 (or date of cessation if earlier)	27 June 2012 Self	27 June 2012 Other	27 June 2012 Total
Executive directors						
Serge Crasnianski		79,783,450	**79,783,450**	63,750	79,719,700	79,783,450
Françoise Coutaz-Replan		29,821	**80,000**	80,000	–	80,000
Non-executive directors						
John Lewis		–	**–**	–	–	–
Yitzhak Apeloig	1	–	**–**	–	–	–
Dan David	2	47,579,318	**45,579,318**	n/a	n/a	n/a
Jean-Marcel Denis	3	–	**–**	–	–	–
Emmanuel Olympitis		45,000	**45,000**	–	45,000	45,000

Notes:

1. Yitzhak Apeloig was appointed to the Board on 8 March 2012.
2. Dan David died on 6 September 2011.
3. Jean-Marcel Denis was appointed to the Board on 1 March 2012.

Table 3 (Audited information)
Interests in share options

	Date of grant	Number of options: As at 1 May 2011	Granted during year	Exercised during year	**As at 30 April 2012**	Exercise price	Date from which exercisable	Expiry date
Françoise Coutaz-Replan	29 Jan 2009	30,000	–	30,000	**–**	10.92p	29 Jan 2012	28 Jan 2016
	20 Jan 2010	250,000	–	–	**250,000**	36.67p	20 Jan 2013	19 Jan 2017
	4 Jul 2011	–	50,000	–	**50,000**	65.25p	4 Jul 2014	3 Jul 2018
	13 Dec 2011	–	250,000	–	**250,000**	53.50p	13 Dec 2014	12 Dec 2018

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

No options lapsed during the year to 30 April 2012. The gain on the exercise of share options by Françoise Coutaz-Replan during the year to 30 April 2012, calculated on the difference between the exercise price (10.92p) and the closing market price (46.25p) on the day of exercise, was £10,599 (2011: nil).

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

The performance condition that applied to the 29 January 2009 grants was based on the extent to which (if at all) the Company's adjusted EPS for the financial year ending 30 April 2011 ("EPS 2011") reached a sliding scale of challenging EPS targets. No part of an option would become exercisable unless adjusted EPS 2011 was 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 at 3.77p exceeded 2.50p, all outstanding options granted in January 2009 were capable of being exercised from 29 January 2012.

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 salary. As the EPS actually achieved for the year to 30 April 2012 exceeds 3.6p, all outstanding options granted in January 2010 will be capable of being exercised from 20 January 2013.

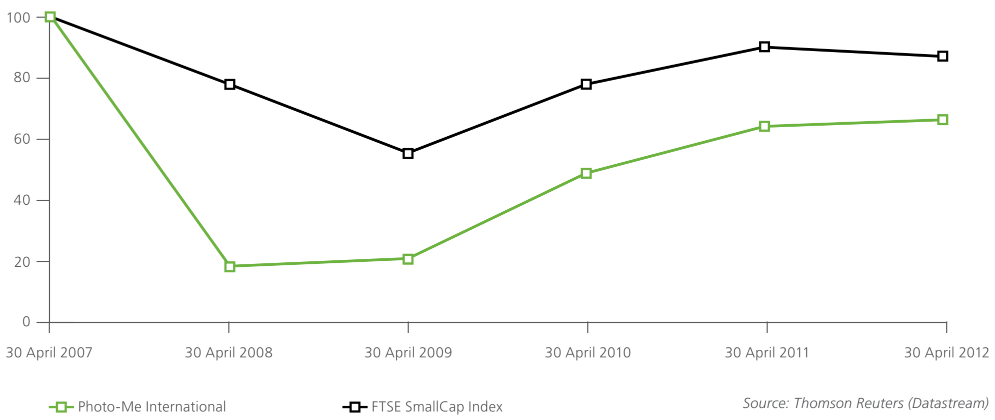
Details of the performance condition attached to the 2011 options are set out in the Share options section earlier in this report.

The middle market price of an Ordinary share at the end of the financial year was 45.25p (2011: 45.875p). The highest and lowest middle market prices of an Ordinary share during the year to 30 April 2012 were 67.00p and 42.25p 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 whole 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 2012, of £100 invested in Photo-Me International on 30 April 2007 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

27 June 2012

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

Serge Crasnianski
Chief Executive Officer

27 June 2012

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 2012 set out on pages 38 to 96. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 35, 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 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the 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 Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 35, in relation to going concern;
- the part of the Corporate Governance statement on pages 21 to 24 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board 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

27 June 2012

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Revenue	3	**207,841**	219,820
Cost of sales		**(169,340)**	(183,142)
Gross profit		**38,501**	36,678
Other operating income	4	**1,194**	1,916
Administrative expenses		**(19,765)**	(20,295)
Share of post-tax profits from associates	14	**89**	89
Operating profit	3	**20,019**	18,388
Finance revenue	6	**844**	476
Finance cost	6	**(723)**	(861)
Profit before tax		**20,140**	18,003
Total tax charge	7	**(5,594)**	(4,252)
Profit for year	4	**14,546**	13,751
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(2,841)**	3,686
Translation reserve taken to income statement on disposal		**(12)**	(10)
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		**(531)**	(235)
Deferred tax on actuarial movements		**118**	38
Other comprehensive (expense)/income (net of tax)		**(3,266)**	3,479
Total comprehensive income for the year		**11,280**	17,230
Profit for the year attributable to:			
Owners of the Parent		**14,349**	13,608
Non-controlling interests		**197**	143
		14,546	13,751
Total comprehensive income attributable to:			
Owners of the Parent		**11,175**	17,061
Non-controlling interests		**105**	169
		11,280	17,230
Earnings per share			
Basic earnings per share	10	**3.97p**	3.77p
Diluted earnings per share	10	**3.95p**	3.74p

The notes on pages 44 to 96 are an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 30 April 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Assets					
Non-current assets					
Goodwill	11	**9,895**	10,093	**–**	–
Other intangible assets	11	**8,958**	10,368	**29**	22
Property, plant and equipment	12	**46,128**	50,847	**6,687**	7,777
Investment property	13	**1,147**	1,749	**–**	–
Investments – in associates	14	**592**	598	**258**	258
– in subsidiaries	14	**–**	–	**41,269**	41,500
Other financial assets – held to maturity		**2,176**	1,857	**604**	–
– available-for-sale		**80**	80	**–**	–
Deferred tax assets	24	**3,148**	3,038	**2,784**	2,893
Trade and other receivables	16	**1,473**	1,947	**–**	–
		73,597	80,577	**51,631**	52,450
Current assets					
Inventories	17	**16,931**	20,858	**1,157**	1,733
Trade and other receivables	16	**14,302**	20,398	**5,460**	4,715
Other financial assets – held to maturity		**213**	14	**–**	–
– available-for-sale		**5**	23	**5**	23
Current tax		**19**	34	**–**	–
Cash and cash equivalents	18	**54,605**	56,212	**10,862**	13,738
		86,075	97,539	**17,484**	20,209
Total assets		**159,672**	178,116	**69,115**	72,659
Equity					
Share capital	20	**1,850**	1,844	**1,850**	1,844
Share premium		**5,873**	5,718	**5,873**	5,718
Treasury shares		**(5,802)**	(5,802)	**(5,802)**	(5,802)
Other reserves		**18,925**	21,686	**885**	652
Retained earnings		**74,994**	64,374	**46,758**	37,206
Equity attributable to owners of the Parent		**95,840**	87,820	**49,564**	39,618
Non-controlling interests		**1,001**	935	**–**	–
Total equity		**96,841**	88,755	**49,564**	39,618
Liabilities					
Non-current liabilities					
Financial liabilities	21	**776**	5,704	**–**	–
Post-employment benefit obligations	22	**4,285**	4,061	**182**	494
Provisions	23	**77**	85	**3**	3
Deferred tax liabilities	24	**2,508**	3,307	**–**	–
Trade and other payables	25	**5,646**	7,438	**–**	–
		13,292	20,595	**185**	497
Current liabilities					
Financial liabilities	21	**4,386**	11,700	**–**	6,000
Derivative financial liability		**–**	217	**–**	–
Provisions	23	**4,957**	4,428	**15**	38
Current tax		**5,368**	5,136	**356**	1
Trade and other payables	25	**34,828**	47,285	**18,995**	26,505
		49,539	68,766	**19,366**	32,544
Total equity and liabilities		**159,672**	178,116	**69,115**	72,659

The notes on pages 44 to 96 are an integral part of these consolidated financial statements.

The accounts were approved by the Board on 27 June 2012.

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 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit before tax		**20,140**	18,003
Finance cost		**723**	861
Finance revenue		**(844)**	(476)
Operating profit		**20,019**	18,388
Share of post-tax profit from associates		**(89)**	(89)
Amortisation of intangible assets		**3,277**	3,217
Depreciation of property, plant and equipment		**20,737**	25,963
(Profit)/loss on sale of property, plant and equipment		**(69)**	21
Exchange differences		**(905)**	697
Other items		**(1,010)**	(517)
Changes in working capital:			
Inventories		**2,650**	2,438
Trade and other receivables		**5,540**	(134)
Trade and other payables		**(8,894)**	442
Increase in trade and other payables – arising from sale of rental income		**–**	8,164
Provisions		**1,170**	(206)
Cash generated from operations		**42,426**	58,384
Interest paid		**(649)**	(760)
Taxation paid		**(5,314)**	(2,279)
Net cash generated from operating activities		**36,463**	55,345
Cash flows from investing activities			
Outflow from disposal of subsidiaries		**–**	(77)
Investment in associates		**(62)**	–
Investment in intangible assets		**(2,477)**	(3,646)
Proceeds from sale of intangible assets		**–**	2
Purchase of property, plant and equipment		**(15,865)**	(16,999)
Proceeds from sale of property, plant and equipment		**866**	1,134
Purchase of available-for-sale investments		**(387)**	–
Proceeds from sale of available-for-sale investments		**528**	–
Interest received		**434**	148
Dividends received from associate		**101**	65
Net cash utilised in investing activities		**(16,862)**	(19,373)
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		**161**	232
Repayment of capital element of finance leases		**(643)**	(483)
Proceeds from borrowings		**–**	391
Repayment of borrowings		**(11,148)**	(15,281)
Increase in assets held to maturity		**(433)**	(1,224)
Dividends paid to owners of the Parent	9	**(7,232)**	(4,512)
Dividends paid to non-controlling interests		**(39)**	(26)
Net cash utilised in financing activities		**(19,334)**	(20,903)
Net increase in cash and cash equivalents		**267**	15,069
Cash and cash equivalents at beginning of year		**56,212**	39,796
Exchange (loss)/gain on cash and cash equivalents		**(1,874)**	1,347
Cash and cash equivalents at end of year	18	**54,605**	56,212

The notes on pages 44 to 96 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS
for the year ended 30 April 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit before tax		**14,100**	16,837
Finance cost		**15**	404
Finance revenue		**(290)**	(69)
Dividends and other items		**(10,634)**	(14,936)
Operating profit		**3,191**	2,236
Amortisation of intangible assets		**21**	29
Depreciation of property, plant and equipment		**3,636**	5,577
Profit on sale of property, plant and equipment		**(114)**	(79)
Movements in investment provisions and other items		**15**	(520)
Changes in working capital:			
Inventories		**576**	697
Trade and other receivables		**(780)**	(853)
Trade and other payables		**(3,197)**	(773)
Provisions		**(334)**	422
Cash generated from operations		**3,014**	6,736
Interest paid		**(64)**	(224)
Taxation paid		**(380)**	(157)
Net cash generated from operating activities		**2,570**	6,355
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		**15**	–
Purchase of intangible assets		**(28)**	–
Purchase of property, plant and equipment		**(2,596)**	(2,883)
Proceeds from sale of property, plant and equipment		**164**	145
Repayments of loans advanced to subsidiaries		**35**	179
Interest received		**63**	69
Dividends received from associate and subsidiaries		**10,634**	14,936
Net cash generated from investing activities		**8,287**	12,516
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		**161**	232
Repayment of borrowings		**(6,000)**	(8,000)
Repayment of borrowings from subsidiaries		**(58)**	–
Increase in assets held to maturity		**(604)**	–
Dividends paid to owners of the Parent	9	**(7,232)**	(4,512)
Net cash utilised in financing activities		**(13,733)**	(12,280)
Net (decrease)/increase in cash and cash equivalents		**(2,876)**	6,591
Cash and cash equivalents at beginning of year		**13,738**	7,147
Cash and cash equivalents at end of year	18	**10,862**	13,738

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 30 April 2012

	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 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
At 1 May 2011	**1,844**	**5,718**	**(5,802)**	**2,430**	**19,256**	**64,374**	**87,820**	**935**	**88,755**
Profit for year	**–**	**–**	**–**	**–**	**–**	**14,349**	**14,349**	**197**	**14,546**
Other comprehensive (expense)/income									
Exchange differences	**–**	**–**	**–**	**–**	**(2,749)**	**–**	**(2,749)**	**(92)**	**(2,841)**
Translation reserve taken to income statement on disposal of subsidiaries	**–**	**–**	**–**	**–**	**(12)**	**–**	**(12)**	**–**	**(12)**
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	**–**	**–**	**–**	**–**	**–**	**(531)**	**(531)**	**–**	**(531)**
Deferred tax on actuarial movements	**–**	**–**	**–**	**–**	**–**	**118**	**118**	**–**	**118**
Total other comprehensive expense	**–**	**–**	**–**	**–**	**(2,761)**	**(413)**	**(3,174)**	**(92)**	**(3,266)**
Total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**(2,761)**	**13,936**	**11,175**	**105**	**11,280**
Transactions with owners of the Parent									
Shares issued in period	**6**	**155**	**–**	**–**	**–**	**–**	**161**	**–**	**161**
Share options	**–**	**–**	**–**	**–**	**–**	**302**	**302**	**–**	**302**
Dividends	**–**	**–**	**–**	**–**	**–**	**(3,618)**	**(3,618)**	**(39)**	**(3,657)**
Total transactions with owners of the Parent	**6**	**155**	**–**	**–**	**–**	**(3,316)**	**(3,155)**	**(39)**	**(3,194)**
At 30 April 2012	**1,850**	**5,873**	**(5,802)**	**2,430**	**16,495**	**74,994**	**95,840**	**1,001**	**96,841**

The notes on pages 44 to 96 are an integral part of these consolidated financial statements.

Details of share capital and reserves are given in note 20.

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 2012

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Retained earnings £'000	Total £'000
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
At 1 May 2011	**1,844**	**5,718**	**(5,802)**	**652**	**37,206**	**39,618**
Profit for year	**–**	**–**	**–**	**–**	**13,162**	**13,162**
Other comprehensive (expense)/income						
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	**–**	**–**	**–**	**–**	**(53)**	**(53)**
Deferred tax on actuarial movements	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Total other comprehensive expense	**–**	**–**	**–**	**–**	**(61)**	**(61)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**13,101**	**13,101**
Transactions with owners of the Parent						
Shares issued in period	**6**	**155**	**–**	**–**	**–**	**161**
Share options	**–**	**–**	**–**	**–**	**69**	**69**
Capital contribution relating to share-based payments (net of disposals)	**–**	**–**	**–**	**233**	**–**	**233**
Dividends	**–**	**–**	**–**	**–**	**(3,618)**	**(3,618)**
Total transactions with owners of the Parent	**6**	**155**	**–**	**233**	**(3,549)**	**(3,155)**
At 30 April 2012	**1,850**	**5,873**	**(5,802)**	**885**	**46,758**	**49,564**

Details of share capital and reserves are given in note 20.

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 2012 were authorised for issue by the directors on 27 June 2012 and the statements of financial position were signed by S Crasnianski, Chief Executive Officer and F Coutaz-Replan, Group Finance Director.

The Company is a public limited company incorporated and registered in England and Wales and whose shares are quoted on the London Stock Exchange, under symbol PHTM. The registered number of the Company is 735438 and its registered office is at Church Road, Bookham, Surrey KT23 3EU. The principal activities of the Group are shown on page 18.

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. The Group has complied with the requirements of IFRS 3 (revised) 2009 relating to acquisitions made in the current year; in prior years there were no acquisitions. New standards adopted for this financial year are shown in note 2 below.

1.1 Basis of preparation

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

Going concern

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

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

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

Critical accounting estimates and key judgements

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

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

Group

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

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

Investments in subsidiaries
Management makes decisions on the carrying value of investments in subsidiaries and whether an impairment is required, as detailed in note 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 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 Generally Accepted Accounting Principles (UK GAAP).

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

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

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

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

1 Accounting policies continued

1.3 Foreign currency translation

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

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

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

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

1.4 Intangible assets

Goodwill

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

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

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

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

Research and development expenditure

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

Other intangible assets

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

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

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

1.5 Property, plant and equipment

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

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

Freehold land is not depreciated. Other assets are depreciated on a straight-line basis, or occasionally on a reducing balance basis, to reduce cost to 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.

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 in the following categories. The classification depends on the purpose for which the financial assets were acquired.

(i) Loans and receivables

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

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

(ii) Held to maturity financial assets

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

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

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

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

(iv) Available-for-sale financial assets

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

(v) Recognition and measurement

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

At each year end date the Group assesses whether there is objective evidence that a financial asset, or group of financial assets, has become impaired. Any impairment loss so recognised is reflected in the income statement.

Company

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

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

1.10 Inventories

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

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

1.11 Trade receivables

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

1.12 Cash and cash equivalents

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

1.13 Share capital

Ordinary shares of the Company are classified as equity.

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

1.14 Borrowings

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

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

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

1 Accounting policies continued

1.15 Employee benefits

Pension obligations

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

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

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

The liability in respect of defined benefit pension schemes is the present value of the defined benefit obligation at the end of the financial year minus the fair value of the plan assets, measured under the projected unit credit actuarial valuation method. Independent qualified actuaries calculate the obligation for defined benefit pension plans. Independent qualified actuaries formally value the pension 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 22 as other retirement provisions.

Equity compensation benefits

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

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

The grant by the Company of options over its equity instruments (Ordinary shares) to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the 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

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

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

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

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

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

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

1.18 Trade and other payables

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

1.19 Segment reporting

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

1.20 Revenue recognition

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

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

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

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

Dividend income is recognised when the right to receive payment is established. Dividends received from pre-acquisition profits are shown as dividend income.

1.21 Own work capitalised

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

1.22 Dividends

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

1.23 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 Accounting policies continued

1.24 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction, rather than through existing use, and the sale is considered highly probable. Such assets are stated at the lower of carrying amount and fair value less costs to sell. For the sale to be highly probable the Board is committed to the sale, with a potential buyer identified and completion expected within the next financial year.

1.25 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 28).

2 New standards, amendments and interpretations

From 1 May 2011, the Group has changed its accounting policies in the following areas:

The Group has applied the Improvements to IFRSs (issued May 2010) which includes Amendment to IFRS 7 – Financial Instruments Disclosures. The Group also applied Amendments to IFRS 7 – Disclosures: Transfers of Financial Assets. The impact of both these changes has been minor and has improved qualitative and quantitative disclosures relating to the Group's financial instrument risk exposures and partially derecognised financial assets.

The Group has adopted the changes to IFRS 3 Business Combinations and IFRS 7 – Financial Instruments Disclosures in terms of collateral obligations arising from the 2010 Improvements to IFRS. The amendments to IAS 34 Interim Reporting will be reflected in the next interim results.

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 2013 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:

- Amendments to IAS 1 – Presentation of items of Other Comprehensive Income, effective for the 2014 reporting period. The amendment requires that the Group presents separately the items of the Other Comprehensive Income that may be reclassified to profit and loss in the future from those items that would never be classified to profit and loss.

- Amendments to IAS 19 – Defined Benefit Pension Schemes, effective for the 2014 reporting period. The principal amendment is the requirement to calculate net interest income or expense using the discount rate used to measure the defined benefit asset or liability.

- IFRS 9 (2009 & 2010) – Financial Instruments, has been issued and is effective for accounting periods beginning on or after January 2015. The standard in its current form contains two primary measurement categories for financial assets, amortised cost and fair value. Assets that do not meet the conditions for amortised cost, are measured at fair value. Guidance on financial liabilities is still to be finalised. 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.

- The IASB has issued new standards during the year; IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interests in Other Entities and IFRS 13 – Fair Value Measurement. These standards may apply in 2013/14 and are subject to EU endorsement. IFRS 10, IFRS 11 and IFRS 12 are part of a new suite of standards on consolidation and related standards, replacing existing standards on accounting for subsidiaries and joint ventures (now joint arrangements) and making limited amendments in relation to associates. IFRS 13 will replace existing guidance on fair value measurement in different IFRSs with a single definition of fair value, a fair value framework and fair value disclosures. The impact of these standards is being evaluated but the Group currently does not expect adoption of these standards will have a significant impact on the Group's results or financial position.

3 Segmental analysis

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

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

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

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

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

The segment results are as follows:

	Operations £'000	Sales & Servicing £'000	Total £'000
2012			
Total revenue	**178,063**	**51,546**	**229,609**
Inter-segment revenue	**–**	**(21,768)**	**(21,768)**
Revenue from external customers	**178,063**	**29,778**	**207,841**
EBITDA	**44,994**	**997**	**45,991**
Depreciation and amortisation	**(19,890)**	**(3,511)**	**(23,401)**
Operating profit excluding associates	**25,104**	**(2,514)**	**22,590**
Share of post-tax profit from associates			**89**
Corporate costs excluding depreciation and amortisation			**(2,047)**
Corporate depreciation and amortisation			**(613)**
Operating profit			**20,019**
Finance revenue			**844**
Finance costs			**(723)**
Profit before tax			**20,140**
Tax			**(5,594)**
Profit for year			**14,546**
Capital expenditure	**15,943**	**2,337**	**18,280**
Corporate capital expenditure			**71**
Total capital expenditure			**18,351**
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)
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

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

3 Segmental analysis continued

The Parent Company is domiciled in the UK. The total revenue from external customers in the UK is £44,807,000 (2011: £50,441,000) and the total revenue from other countries is £163,034,000 (2011: £169,379,000), comprising Asia £46,172,000 (2011: £43,277,000) and Continental Europe and Ireland £116,862,000 (2011: £126,102,000). 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.

4 Profit for the year

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

	2012 £'000	2011 £'000
Amortisation, depreciation and impairment		
Amortisation of previously capitalised research and development expenditure	**3,112**	2,970
Amortisation of intangible assets other than research and development	**165**	247
	3,277	3,217
Depreciation of property, plant and equipment		
– owned	**20,370**	25,574
– leased	**367**	389
	20,737	25,963

Amortisation of intangible assets (excluding capitalised research and development expenditure) is reflected in the income statement within cost of sales £88,000 (2011: £65,000) and administrative expenses £77,000 (2011: £182,000).

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

	2012 £'000	2011 £'000
Operating lease rentals		
– property	**11,134**	11,719
– plant and equipment	**1,081**	1,050
	12,215	12,769
Inventory cost		
Cost of inventories recognised as an expense	**26,064**	35,189
Inventory provision reversed	**(466)**	(133)
	25,598	35,056

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

	2012 £'000	2011 £'000
Other items		
Research and development current year expenditure, not capitalised	**1,478**	763
Own work capitalised	**(2,507)**	(2,299)
Trade receivables impairment (note 15)	**771**	988
Net foreign exchange (gains)/losses	**(370)**	1,087
(Gains)/losses on sale of property, plant and equipment	**(69)**	21
Direct expenses for investment properties generating rental income	**65**	94

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	2012 £'000	2011 £'000
Audit of these financial statements	**153**	179
Fees payable to the Company's auditor and its associates for other services		
– audit of the Company's subsidiaries pursuant to legislation	**159**	142
– other services	**57**	25
	369	346

The audit fee of the Company was £55,000 (2011: £55,000).

Other services – represents fees payable for all non-audit services not covered above, and mainly covers review of the interim financial statements and accounting advice.

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

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

	2012 £'000	2011 £'000
Audit fees	**94**	115
Other services	**4**	44
	98	159

Summary

Total fees paid or payable to all of the Group's auditors for audit and other services were £467,000 (2011: £505,000).

Other operating income

Other operating income of £1,194,000 (2011: £1,916,000) principally includes rental income from investment property (note 13).

5 Employees

Staff costs during the year amounted to:

	2012 £'000	2011 £'000
Wages and salaries	**40,651**	40,512
Social security costs	**9,320**	9,259
Share options granted to directors and employees	**302**	193
Other pension costs		
– defined benefit schemes	**116**	91
– defined contribution schemes	**206**	223
Other post-retirement costs	**382**	282
Staff costs of employees and executive directors	**50,977**	50,560
Non-executive directors including social security costs	**200**	264
	51,177	50,824

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 28 to 34 and are summarised as follows:

	2012 £'000	2011 £'000
Directors' emoluments		
– excluding termination payments	**1,340**	1,334
– ex-gratia and termination payments	**–**	50
	1,340	1,384
Number of directors accruing benefits under defined contribution schemes	**1**	1

Included in the directors' emoluments costs are bonuses totalling £521,000 (2011: £506,000).

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

	2012	2011
Full-time	**981**	1,098
Part-time	**147**	167
	1,128	1,265
Operations	**958**	988
Sales & Servicing	**158**	264
Corporate	**12**	13
	1,128	1,265

6 Finance revenue and costs

	2012 £'000	2011 £'000
Finance revenue		
Bank interest	**362**	141
Other assets at amortised cost	**72**	48
Interest income from financial assets not at fair value through profit or loss	**434**	189
Fair value movements on derivatives	**210**	91
Interest received	**644**	280
Other financial income	**18**	–
Profit on sale investments	**155**	–
Profit on sale of Group undertakings	**27**	196
Total finance revenue	**844**	476
Finance costs		
Bank loans and overdrafts at amortised cost	**621**	721
Other loans at amortised cost	**24**	22
Finance leases	**5**	18
Other finance charges	**73**	100
Total finance costs	**723**	861

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

7 Taxation expense

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

	2012 £'000	2011 £'000
Taxation		
Current taxation		
UK corporation tax		
– current tax	**742**	659
– prior years	**25**	294
– double taxation relief	**–**	(68)
	767	885
Overseas taxation		
– current year	**5,834**	5,535
– prior years	**(236)**	(1)
	5,598	5,534
Total current taxation	**6,365**	6,419
Deferred taxation		
Origination and reversal of temporary differences		
– current year – UK	**106**	418
– overseas	**(382)**	(436)
Adjustments to estimated recoverable amounts of deferred tax assets arising in previous years		
– UK	**(221)**	(2,421)
– Overseas	**(271)**	255
Impact of change in rate	**(3)**	17
Total deferred tax	**(771)**	(2,167)
Tax charge in the statement of comprehensive income	**5,594**	4,252

Tax relating to items credited to other components of comprehensive income

	2012 £'000	2011 £'000
Deferred tax		
Actuarial gains and losses on pension schemes	**(118)**	(38)
Tax credit in other comprehensive income	**(118)**	(38)

Reconciliation of the total tax charge

The difference between the Group tax charge and the standard UK corporation tax rate of 25.8% (2011: 27.8%) is explained below:

	2012 £'000	2011 £'000
Profit before tax	**20,140**	18,003
Tax using the UK corporation tax rate of 25.8% (2011: 27.8%)	**5,204**	5,010
Effect of:		
– non-taxable items	**(91)**	(2)
– overseas tax rates	**1,218**	1,032
– relieved losses on which deferred tax had not previously been recognised	**(34)**	85
– adjustments to tax in respect of prior years	**(703)**	(1,873)
Total tax charge	**5,594**	4,252
Effective tax rate	**27.8%**	23.6%

8 Profits attributable to members of the Parent Company

The profit for the year, after tax, dealt with in the financial statements of the Parent Company is £13,162,000 (2011: £18,301,000), including dividends received from subsidiaries.

9 Dividends paid and proposed

	2012		2011	
	Pence per share	£'000	Pence per share	£'000
Interim				
2011 paid 6 May 2011	**1.00**	**3,614**		
2010 paid 4 May 2010			0.25	900
Final				
2011 paid 7 November 2011	**1.00**	**3,618**		
2010 paid 5 November 2010			1.00	3,612
	2.00	**7,232**	1.25	4,512

Year ended 30 April 2012 – Proposed dividends not yet paid

The Board declared an interim dividend of 1.25p per share for the year ending 30 April 2012, amounting to £4,529,000, which was paid on 8 May 2012. The Board propose a final dividend for the year ended 30 April 2012 of 1.25p per share, which is subject to shareholder approval at the Annual General Meeting to be held on 13 September 2012. If approved, the dividend will be paid on 7 November 2012.

10 Earnings per share

Basic earnings per share amounts are calculated by dividing net earnings attributable to Ordinary shareholders of the Parent of £14,349,000 (2011: £13,608,000) by the weighted average number of Ordinary shares in issue during the year, excluding those held as treasury shares.

Diluted earnings per share amounts are calculated by dividing the net earnings attributable to Ordinary shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would be issued on conversion of all the dilutive potential Ordinary shares into Ordinary shares. The Group has only one category of dilutive potential Ordinary shares: the share options granted to senior staff, including directors, as detailed in note 20.

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

	2012			2011		
	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	**14,349**	**361,840**	**3.97**	13,608	361,078	3.77
Effect of dilutive securities: options	**–**	**1,920**	**(0.02)**	–	2,465	(0.03)
Diluted earnings per share	**14,349**	**363,760**	**3.95**	13,608	363,543	3.74

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

11 Goodwill and other intangible assets

Goodwill

Group

	£'000
Cost:	
At 1 May 2010	10,338
Exchange differences	56
At 30 April 2011	**10,394**
Exchange differences	**(199)**
At 30 April 2012	**10,195**
Impairment charges:	
At 1 May 2010	300
Exchange differences	1
At 30 April 2011	**301**
Exchange differences	**(1)**
At 30 April 2012	**300**
Net book value:	
At 30 April 2012	**9,895**
At 30 April 2011	10,093
At 1 May 2010	10,038

Company

The Company has no goodwill.

Impairment of goodwill

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

– Operations activity

– Sales & Servicing activity

	Operations		Sales & Servicing		Total	
Carrying amount	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Goodwill	**9,578**	9,776	**317**	317	**9,895**	10,093

Goodwill has been allocated for impairment testing purposes to six (2011: six) cash-generating units (CGUs):

	Operations		Sales & Servicing		Total	
Carrying amount	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'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	**1,873**	2,044	**–**	–	**1,873**	2,044
Operations 2	**292**	319	**–**	–	**292**	319
Total Continental Europe	**2,165**	2,363	**–**	–	**2,165**	2,363
Asia						
Operations 1	**7,245**	7,245	**–**	–	**7,245**	7,245
Total Asia	**7,245**	7,245	**–**	–	**7,245**	7,245
Total	**9,578**	9,776	**317**	317	**9,895**	10,093

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% (2011: 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 7–12% (2011: 7–10%)

The pre-tax discount rates applied to the cash flow forecasts for the CGUs are derived from the pre-tax weighted average cost of capital for the Group adjusted for economic and political risks for the specific country concerned. The rates used are France 11% (2011: 10%), Japan 9% (2011: 7%), Germany 9% (2011: 9%) and Ireland 12% (2011: 9%). 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 2012 (2011: none).

11 Goodwill and other intangible assets continued

Other intangible assets

Group

	Research and development costs £'000	Software £'000	Customer licences and patents £'000	Other intangible assets £'000	Total £'000
Cost:					
At 1 May 2010	21,863	1,618	1,431	1,964	26,876
Exchange differences	567	31	147	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**	**1,619**	**2,101**	**30,719**
Exchange differences	**(1,954)**	**343**	**(111)**	**(135)**	**(1,857)**
Additions					
– internally generated	**2,169**	**–**	**–**	**–**	**2,169**
– external	**–**	**219**	**14**	**75**	**308**
Disposals	**(853)**	**(101)**	**–**	**–**	**(954)**
At 30 April 2012	**24,580**	**2,242**	**1,522**	**2,041**	**30,385**
Amortisation:					
At 1 May 2010	14,446	1,473	1,222	–	17,141
Exchange differences	443	4	139	–	586
Disposals	(570)	(22)	(1)	–	(593)
Provided during year	2,970	120	127	–	3,217
At 30 April 2011	**17,289**	**1,575**	**1,487**	**–**	**20,351**
Exchange differences	**(1,531)**	**343**	**(60)**	**–**	**(1,248)**
Disposals	**(853)**	**(100)**	**–**	**–**	**(953)**
Provided during year	**3,112**	**152**	**13**	**–**	**3,277**
At 30 April 2012	**18,017**	**1,970**	**1,440**	**–**	**21,427**
Net book value:					
At 30 April 2012	**6,563**	**272**	**82**	**2,041**	**8,958**
At 30 April 2011	7,929	206	132	2,101	10,368
At 1 May 2010	7,417	145	209	1,964	9,735

Capitalised research and development expenditure is amortised over a maximum of four years, with no residual value. The average remaining life in years for research and development costs is 1.92 years (2011: 2.17 years).

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

Company

	£'000
Cost:	
At 1 May 2010	955
Disposals	(22)
At 30 April 2011	**933**
Additions	**28**
Disposals	**(7)**
At 30 April 2012	**954**
Amortisation:	
At 1 May 2010	904
Provided during year	29
Disposals	(22)
At 30 April 2011	**911**
Provided during year	**21**
Disposals	**(7)**
At 30 April 2012	**925**
Net book value:	
At 30 April 2012	**29**
At 30 April 2011	22
At 1 May 2010	51

The Company's only intangible asset is software.

12 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 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**
Exchange differences	**(423)**	**(4,213)**	**(1,871)**	**(6,507)**
Additions				
– internal	**–**	**2,507**	**–**	**2,507**
– external	**33**	**12,525**	**809**	**13,367**
– subsidiaries acquired	**–**	**760**	**–**	**760**
Disposals	**(19)**	**(20,268)**	**(1,111)**	**(21,398)**
At 30 April 2012	**10,700**	**174,826**	**23,664**	**209,190**
Depreciation:				
At 1 May 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**
Exchange differences	**(346)**	**(4,128)**	**(1,735)**	**(6,209)**
Provided during year	**233**	**18,892**	**1,131**	**20,256**
Disposals	**(18)**	**(19,590)**	**(991)**	**(20,599)**
At 30 April 2012	**7,826**	**134,358**	**20,878**	**163,062**
Net book value:				
At 30 April 2012	**2,874**	**40,468**	**2,786**	**46,128**
At 30 April 2011	3,152	44,331	3,364	50,847
At 1 May 2010	3,391	51,536	4,070	58,997

Internal additions for photobooths and vending machines of £2,507,000 (2011: £2,299,000) 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:

	2012		2011	
	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	**26**	**199**	643	307
Additions/reclassifications	**–**	**–**	–	43
Depreciation charge	**248**	**119**	279	110

The Group has loans of £6,000 (2011: £24,000), which are secured on certain property, photobooths and motor vehicles.

Company

	Land and buildings £'000	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost:				
At 1 May 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**
Additions				
– internal	**–**	**2,433**	**–**	**2,433**
– external	**24**	**116**	**23**	**163**
Disposals				
– internal	**–**	**(602)**	**(3)**	**(605)**
– external	**–**	**(6,308)**	**(62)**	**(6,370)**
At 30 April 2012	**2,504**	**40,557**	**1,359**	**44,420**
Depreciation:				
At 1 May 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**
Provided during year	**59**	**3,425**	**152**	**3,636**
Disposals				
– internal	**–**	**(586)**	**(2)**	**(588)**
– external	**–**	**(6,280)**	**(57)**	**(6,337)**
At 30 April 2012	**1,542**	**34,994**	**1,197**	**37,733**
Net book value:				
At 30 April 2012	**962**	**5,563**	**162**	**6,687**
At 30 April 2011	997	6,483	297	7,777
At 1 May 2010	1,056	8,601	755	10,412

Internal additions for photobooths and vending machines of £2,433,000 (2011: £2,765,000) relates to new equipment manufactured by the Group's Sales & Servicing division and equipment previously capitalised by the Group's subsidiaries. Internal disposals relates to disposals to subsidiary companies.

13 Investment property

Group

	£'000
Cost:	
At 1 May 2010	13,027
Exchange differences	312
At 30 April 2011	**13,339**
Exchange differences	**(1,115)**
At 30 April 2012	**12,224**
Depreciation:	
At 1 May 2010	10,805
Exchange differences	282
Depreciation provided during year	503
At 30 April 2011	**11,590**
Exchange differences	**(994)**
Depreciation provided during year	**481**
At 30 April 2012	**11,077**
Net book value:	
At 30 April 2012	**1,147**
At 30 April 2011	1,749
At 1 May 2010	2,222

The investment property is freehold and is stated at cost.

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

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

The sale of the future rental income has impacted the value of the property. The Board believes at 30 April 2012, that net of the remaining deferred rental income creditor of €8.0m, the property continues to be worth more than its £1.1m net book value (2011: £1.7m). The valuations for future years are expected to increase due to the passage of time and the unwinding of the related deferred rental income creditor.

Rental income from the investment property was £1,019,000 (2011: £963,000) (note 4) and finance costs were £185,000 (2011: £45,000).

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

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

	2012 £'000	2011 £'000
No later than one year	**1,074**	1,013
After one year but no more than five years	**4,295**	4,056
After five years	**2,148**	3,042
	7,517	8,111

Company

The Company has no investment property.

14 Investments in associates and subsidiaries

Investment in associates

Group

	£'000
Cost:	
At 1 May 2010	583
Exchange differences	(9)
Share of profits	89
Dividends	(65)
At 30 April 2011	**598**
Exchange differences	**(1)**
Additions	**62**
Share of profits	**89**
Other movements	**(55)**
Dividends	**(101)**
At 30 April 2012	**592**

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

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

Name	Country of incorporation	Assets £'000	Liabilities £'000	Revenue £'000	Profit/(loss) £'000	% interest
At 30 April 2011						
Max Sight Ltd	Hong Kong	286	22	376	46	33.33
Photo Direct Pty Ltd	Australia	1,060	765	3,506	45	33.33
Other associates		102	63	156	(2)	
		1,448	850	4,038	89	
At 30 April 2012						
Max Sight Ltd	Hong Kong	**232**	**41**	**402**	**21**	**33.33**
Photo Direct Pty Ltd	Australia	**796**	**498**	**2,786**	**66**	**26.95**
Other associates		**160**	**57**	**311**	**2**	
		1,188	**596**	**3,499**	**89**	

14 Investments in associates and subsidiaries continued

Investment in associates continued

Company

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
Cost:			
At 1 May 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**
Capital increase relating to share-based payment (net)	**–**	**233**	**233**
Disposals	**–**	**(1,126)**	**(1,126)**
At 30 April 2012	**408**	**42,612**	**43,020**
Provision:			
At 1 May 2010	150	1,843	1,993
Increase	–	162	162
At 30 April 2011	**150**	**2,005**	**2,155**
Decrease	**–**	**(662)**	**(662)**
At 30 April 2012	**150**	**1,343**	**1,493**
Net book value:			
At 30 April 2012	**258**	**41,269**	**41,527**
At 30 April 2011	258	41,500	41,758
At 1 May 2010	258	41,429	41,687

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

The details of the Group's principal subsidiaries and associates are given in note 30.

15 Financial instruments

15 (a) Fair values of financial instruments by class

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

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

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Trade and other payables

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

15 (b) Financial statement risk management

Financial risk factors and financial risk management

Overview

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

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

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

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

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

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

Risk Management Framework

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

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

The Group may use derivatives to manage exchange or interest rate risk. Approval for their use is given by the Board and the position is monitored constantly. The derivatives outstanding at 30 April 2011 were settled during the year resulting in no derivates recorded in the statement of financial position at 30 April 2012.

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

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

(i) Credit risk

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

15 Financial instruments continued

15 (b) Financial statement risk management continued

Financial risk factors and financial risk management continued

(i) Credit risk continued

Credit quality of financial assets

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

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

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

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

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

The movements in provisions are as follows:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
At 1 May	**6,809**	7,866	**1,184**	2,073
Exchange differences	**(543)**	145	**–**	–
Charged/(credited) to income statement	**771**	988	**(9)**	(17)
Utilised	**(969)**	(2,190)	**(1,150)**	(916)
Transfer from subsidiary	**–**	–	**–**	44
At 30 April	**6,068**	6,809	**25**	1,184

At 30 April 2012, trade receivables of £1,746,000 (2011: £4,339,000) 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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Current	**8,044**	8,087	**692**	675
Past due				
– overdue 1–30 days	**712**	2,445	**131**	245
– overdue 31–60 days	**488**	1,409	**32**	99
– overdue 61 days	**546**	485	**19**	81
Total past due	**1,746**	4,339	**182**	425
Total trade receivables	**9,790**	12,426	**874**	1,100

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 £3,990,000 (2011: £2,051,000) are all current.

(ii) Liquidity risk

The Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Trading forecasts indicate that the current facilities provide more than sufficient liquidity headroom to support the business for the foreseeable future. The net cash position at 30 April 2012 and 30 April 2011 has reduced liquidity risk for the Group.

At 30 April 2012 the Group has undrawn facilities of £13,471,000 (2011: £14,371,000). 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 £6,000 (2011: £24,000) on property, plant and equipment.

Certain lending banks have imposed loan covenants on borrowings, which are normal for these type of borrowings, and, during the years to 30 April 2012 and 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 2012 and 30 April 2011 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 2012							
Interest bearing loans and borrowings and interest free loans	**4,305**	**458**	**210**	**18**	**–**	**–**	**4,991**
Finance leases	**131**	**64**	**25**	**2**	**–**	**–**	**222**
Trade and other payables	**30,433**	**130**	**–**	**–**	**–**	**–**	**30,563**
	34,869	**652**	**235**	**20**	**–**	**–**	**35,776**
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

The table below summarises the maturity profile of the Company's financial liabilities (including trade and other payables) at 30 April 2012 and 30 April 2011, based on contractual undiscounted payments.

	Contractual cash flows		
	Within one year £'000	Over one year £'000	Total £'000
At 30 April 2012			
Trade and other payables	**16,039**	**–**	**16,039**
	16,039	**–**	**16,039**
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

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.

15 Financial instruments continued

15 (b) Financial statement risk management continued

Financial risk factors and financial risk management continued

(iii) Market risk

Foreign exchange risk

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

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

Operational foreign exchange exposure

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

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

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
2012			
Profit for the year	**14,546**	**15,344**	**13,572**
Total equity	**96,841**	**97,626**	**95,881**
2011			
Profit for the year	13,751	14,094	13,332
Total equity	88,755	89,089	88,346

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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Amount shown as current receivables				
Euro	**1,860**	1,801	**1,855**	1,766
US dollar	**228**	287	**–**	42
Other	**–**	9	**–**	–
	2,088	2,097	**1,855**	1,808

The majority of these amounts arise from inter-group trading.

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

	2012 £'000	2011 £'000
Floating rate Euro loans	**632**	739
	632	739

Borrowings
At 30 April 2012 and 30 April 2011 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 £2,031,000 (2011: £2,124,000).

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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Amounts shown as current liabilities				
Sterling	**1,808**	367	**–**	–
Euro	**8,475**	11,550	**7,853**	11,064
Swiss franc	**3,186**	3,211	**2,123**	2,216
US dollar	**222**	313	**–**	–
Japanese yen	**1,008**	775	**–**	–
Other currencies	**9**	–	**–**	–
	14,708	16,216	**9,976**	13,280

The majority of these amounts arise from inter-group trading.

15 Financial instruments continued

15 (b) Financial statement risk management continued

Analysis of net debt by currency

	Bank £'000	Financial assets £'000	Loans £'000	Leases £'000	Total £'000
2012					
Sterling	**10,559**	**804**	**–**	**–**	**11,363**
Euro	**25,828**	**963**	**(4,935)**	**(36)**	**21,820**
Swiss franc	**6,767**	**622**	**–**	**–**	**7,389**
US dollar	**146**	**–**	**–**	**–**	**146**
Yen	**10,289**	**–**	**–**	**(185)**	**10,104**
Other	**1,016**	**–**	**(6)**	**–**	**1,010**
	54,605	**2,389**	**(4,941)**	**(221)**	**51,832**
2011					
Sterling	8,525	–	(6,000)	–	2,525
Euro	27,863	1,238	(10,760)	(215)	18,126
Swiss franc	4,662	633	–	–	5,295
US dollar	4,322	–	–	–	4,322
Yen	9,736	–	–	(297)	9,439
Other	1,104	–	(8)	(124)	972
	56,212	1,871	(16,768)	(636)	40,679

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.

At 30 April 2012 the Group had net cash of £51,832,000 (2011: £40,679,000). Included in these amounts are £21,259,000 in bank deposit accounts (2011: £11,055,000) and £2,389,000 (2011: £1,871,000) in restricted deposit accounts, not all of which are interest bearing. With the current low rates of interest on bank deposits, a change in interest rates will not have a significant impact for the Group.

The Group uses derivative financial instruments mainly to reduce the risk of foreign exchange exposure on trading items (sales or purchases in currencies other than the domestic currency of the company concerned) and interest rate movements. The Group does not hold or issue derivative financial instruments for financial trading purposes. There were no derivatives reflected in the statement of financial position at 30 April 2012; derivatives outstanding at 30 April 2011 were settled in the current year.

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
2012			
Total interest payable	**723**	**794**	**652**
2011			
Total interest payable	861	1,098	624

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 2012, with the latest maturity date shown.

Group	Status	Currency	Interest rate	Year of maturity	2012 Carrying amount £'000	2011 Carrying amount £'000
Finance leases	Fixed rate	Other currencies	0%–7.20%	2016	**185**	421
Finance leases	Fixed rate	Euro	1.00%	2015	**36**	215
Loans	Fixed rate	Euro	4.75%	2013	**20**	114
Loans	Fixed rate	Other currencies	3.5%	2015	**6**	8
Loans	Interest free	Euro	0.0%	2016	**644**	952
Loans	Floating	Sterling	1.37%–1.62%	2012	**–**	6,000
Loans	Floating	Euro	1.37%–1.7%	2013	**4,271**	9,694
					5,162	17,404

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

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 had an interest rate swap which at 30 April 2011 resulted in a derivative liability.

Included in the Company receivables – amounts due from subsidiaries, are loans amounting to £632,000 (2011: £739,000) which are subject to floating rates of interest based on EURIBOR plus a margin between 0.5% and 1.0%.

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

15 Financial instruments continued

15 (c) Capital risk management

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

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

The capital structure of the Group is presented below.

	2012 £'000	2011 £'000
Cash and cash equivalents	**54,605**	56,212
Borrowings	**(5,162)**	(17,404)
Net cash (excluding restricted deposits)	**49,443**	38,808
Equity	**96,841**	88,755

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.

16 Trade and other receivables

		Group		Company	
		2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Non-current assets					
Other receivables		**1,431**	1,905	**–**	–
Prepayments and accrued income		**42**	42	**–**	–
		1,473	1,947	**–**	–
Current assets					
Trade receivables	– external	**9,790**	12,426	**874**	1,100
	– related parties	**–**	45	**–**	–
Amounts due from	– subsidiaries	**–**	–	**3,990**	2,051
	– associated undertakings	**37**	59	**–**	–
Other receivables		**2,841**	4,447	**172**	237
Prepayments and accrued income		**1,634**	3,421	**424**	1,327
		14,302	20,398	**5,460**	4,715

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.

17 Inventories

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Raw materials and consumables	**13,971**	17,412	**1,010**	1,577
Work-in-progress	**2**	72	**–**	–
Finished goods	**2,958**	3,374	**147**	156
	16,931	20,858	**1,157**	1,733

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 £25,598,000 (2011: £35,056,000) from continuing operations.

18 Cash and cash equivalents

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash at bank and in hand	**33,346**	45,157	**5,811**	11,118
Deposit accounts (excluding restricted deposits)	**21,259**	11,055	**5,051**	2,620
Cash and cash equivalents per statement of financial position	**54,605**	56,212	**10,862**	13,738
Cash and cash equivalents per cash flow	**54,605**	56,212	**10,862**	13,738

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

19 Net cash

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash and cash equivalents per statement of financial position	18	**54,605**	56,212	**10,862**	13,738
Financial assets – held to maturity		**2,389**	1,871	**604**	–
Non-current instalments due on bank loans	21	**(685)**	(5,509)	**–**	–
Current instalments due on bank loans	21	**(4,256)**	(11,259)	**–**	(6,000)
Non-current finance leases	21	**(91)**	(195)	**–**	–
Current finance leases	21	**(130)**	(441)	**–**	–
Net cash		**51,832**	40,679	**11,466**	7,738

At 30 April 2012, £2,389,000 of the total net cash (2011: £1,871,000) comprised bank deposit accounts that are subject to restrictions and are not freely for use by the Group.

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

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

19 Net cash continued

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

	1 May £'000	Exchange differences £'000	Other movements £'000	Cash flow £'000	30 April £'000
2011/12					
Cash and cash equivalents per statement of financial position and cash flow	**56,212**	**(1,874)**	**–**	**267**	**54,605**
Financial assets – held to maturity	**1,871**	**(115)**	**200**	**433**	**2,389**
Loans	**(16,768)**	**900**	**(221)**	**11,148**	**(4,941)**
Leases	**(636)**	**(3)**	**(225)**	**643**	**(221)**
Net cash	**40,679**	**(1,092)**	**(246)**	**12,491**	**51,832**
2010/11					
Cash and cash equivalents per statement of financial position	41,916	1,397	–	12,899	56,212
Bank overdrafts	(2,120)	(50)	–	2,170	–
Cash and cash equivalents per cash flow	39,796	1,347	–	15,069	56,212
Financial assets – held to maturity	570	77	–	1,224	1,871
Loans	(31,244)	(414)	–	14,890	(16,768)
Leases	(1,045)	(17)	(57)	483	(636)
Net cash	8,077	993	(57)	31,666	40,679

20 Share capital and reserves

Share capital

Company

	2012 Number	2011 Number	2012 £'000	2011 £'000
Allotted, issued and fully paid:				
Ordinary shares of 0.5p each				
At 1 May	**368,829,099**	367,539,331	**1,844**	1,838
Issued in year				
– share options	**1,116,464**	1,289,768	**6**	6
At 30 April	**369,945,563**	368,829,099	**1,850**	1,844
Deferred shares of 2.5p each				
At 1 May	**–**	8,040,000	**–**	201
Redeemed in year	**–**	(8,040,000)	**–**	(201)
At 30 April	**–**	–	**–**	–
	369,945,563	368,829,099	**1,850**	1,844

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

On 31 August 2010 the Company redeemed all of the Deferred shares for 1.0p. 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 2011	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2012	Exercise price	Date from which exercisable	Last date on which exercisable
13 Dec 2002	**555,792**	–	**(30,000)**	**(525,792)**	–	18.33p	13 Dec 2007	12 Dec 2011
13 Feb 2004	**135,000**	–	–	–	**135,000**	138.50p	13 Feb 2009	12 Feb 2013
29 Jan 2009	**1,170,800**	–	**(96,050)**	**(590,672)**	**484,078**	10.92p	29 Jan 2012	28 Jan 2016
20 Jan 2010	**1,750,000**	–	–	–	**1,750,000**	36.67p	20 Jan 2013	19 Jan 2017
12 Jul 2010	**2,080,000**	–	**(15,000)**	–	**2,065,000**	36.33p	12 July 2013	11 July 2017
4 Jul 2011	–	**1,255,000**	**(30,000)**	–	**1,225,000**	65.25p	4 July 2014	3 July 2018
13 Dec 2011	–	**250,000**	–	–	**250,000**	53.50p	13 Dec 2014	12 Dec 2018
	5,691,592	**1,505,000**	**(171,050)**	**(1,116,464)**	**5,909,078**			

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 Jul 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			

Full details of directors' share options are given in the Remuneration report on page 33.

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

All options are equity settled options.

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

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

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

The weighted average exercise price of all options outstanding at 30 April 2012 is 41.4p (2011: 31.9p) and the weighted average exercise price of options exercisable at 30 April 2012 is 38.7p (2011: 41.7p).

The weighted average share price for options exercised during the year ended 30 April 2012 was 54.8p (30 April 2011: 39.9p).

The weighted average remaining years for options outstanding at the year end date is 4.9 years (2011: 5.1 years).

20 Share capital and reserves continued

Share capital continued

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 2012 and 30 April 2011:

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

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

The charge for share-based payments is £302,000 (2011: £193,000).

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 2012 the number of shares held in Treasury was 7,505,000, representing 2.03% of the Ordinary issued share capital (2011: 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.

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 (2011: £201,000) arising on the redemption of the deferred shares and £684,000 (2011: £451,000) relating to the fair value of options granted to employees of Group undertakings (note 14).

21 Financial liabilities

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Non-current liabilities				
Non-current instalments due on bank loans	**685**	5,509	**–**	–
Finance lease creditors	**91**	195	**–**	–
	776	5,704	**–**	–
Current liabilities				
Current instalments due on bank loans	**4,256**	11,259	**–**	6,000
Finance lease creditors	**130**	441	**–**	–
	4,386	11,700	**–**	6,000

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 15 and in the tables below. Margins are generally between 0.40% and 1.0%.

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

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Between one and two years	**457**	4,787	**–**	–
Between two and three years	**210**	486	**–**	–
Between three and four years	**18**	192	**–**	–
Between four and five years	**–**	44	**–**	–
	685	5,509	**–**	–

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 (2011: four) years (note 12). The Company has no finance leases (2011: none).

	Group	
	2012 £'000	2011 £'000
Minimum lease payments		
Within one year	**131**	457
Within two to five years	**91**	195
	222	652
Finance charges		
Within one year	**1**	16
Present value of minimum lease payments		
Within one year	**130**	441
Within two to five years	**91**	195
	221	636

22 Post-employment benefit obligations

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

Defined contribution schemes are held independent of the Group and no liability arises save to pay over the agreed level of contributions. The charge for the year for these schemes was £206,000 (2011: £223,000).

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	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Company defined benefit scheme	**182**	494	**182**	494
Overseas employment benefit obligations	**3,552**	3,379	**–**	–
Overseas defined benefit scheme	**551**	188	**–**	–
Amount shown as non-current liability	**4,285**	4,061	**182**	494

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

	2012 £'000	2011 £'000
Present value of defined benefit obligation at beginning of year	**5,450**	5,307
Current service cost	**37**	38
Interest cost	**284**	282
Contributions by members	**4**	4
Actuarial loss on plan liabilities	**316**	42
Benefits paid	**(226)**	(223)
Present value of defined benefit obligation at end of year	**5,865**	5,450

Reconciliation of the movement in the fair value of plan assets

	2012 £'000	2011 £'000
Fair value of plan assets at beginning of year	**5,624**	5,228
Expected return on plan assets	**336**	317
Actuarial (loss)/gain on plan assets	**(165)**	131
Contributions by the Company	**350**	167
Contributions by members	**4**	4
Benefits paid	**(226)**	(223)
Fair value of plan assets at end of year	**5,923**	5,624

Amount to be recognised in the statement of financial position

	2012 £'000	2011 £'000
Present value of funded obligations	**5,865**	5,450
Fair value of scheme assets	**(5,923)**	(5,624)
Net assets	**(58)**	(174)
Effect of limit of recognition of an asset	**58**	174
Recognition of minimum funding requirement	**182**	494
Net liability recognised in the statement of financial position	**182**	494

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 £1,102,000 (2011: loss of £1,049,000) in respect of the Company's defined benefit scheme.

Amount to be recognised in the statement of comprehensive income

	2012 £'000	2011 £'000
Current service cost	**37**	38
Interest on obligation	**284**	282
Expected return on plan assets	**(336)**	(317)
Total charge	**(15)**	3

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

Total amount recognised in other comprehensive income

	2012 £'000	2011 £'000
Actuarial (loss)/gain	**(481)**	89
Effect of the limit of recognition of an asset	**116**	(174)
Recognition of minimum funding requirement	**312**	(494)
Total amount recognised in other comprehensive income	**(53)**	(579)

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

Plan assets

	2012		2011		2010	
	£'000	%	£'000	%	£'000	%
Equities	**1,540**	**26**	1,904	34	1,854	35
Gilts and bonds	**3,981**	**67**	3,332	59	3,285	63
Other	**402**	**7**	388	7	89	2
Total plan assets	**5,923**	**100**	5,624	100	5,228	100
Expected return on plan assets		**5.1**		5.9		6.1

There were no financial instruments of the Company included in the plan assets (2011: none) and there were no property assets occupied by the Company (2011: 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.

22 Post-employment benefit obligations continued

Actual return on plan assets

	2012 £'000	2011 £'000
Actual return on plan assets	**171**	448

Principal actuarial assumptions

	30 April 2012 %	30 April 2011 %
Discount rate	**4.60**	5.30
Expected return on plan assets at end of year	**5.10**	5.90
Rate of increase in salaries	**4.00**	4.40
Price inflation	**3.00**	3.40
Pension increases		
– pension accrued before 6 April 1997	**3.00**	3.00
– pension accrued from 6 April 1997	**3.00**	3.40

The mortality tables used in 2012,2011,2010, 2009 and 2008 are the PxA00, medium cohort tables projected by year of birth with an underpin to future improvements of 1% p.a. The life expectancy from age 65 underlying these mortality tables is as follows:

	2012	2011
Male currently aged 65	**22.59 years (age 87.59)**	22.49 years (age 87.49)
Female currently aged 65	**25.03 years (age 90.03)**	24.93 years (age 89.93)
Male currently aged 45	**24.52 years (age 89.52)**	24.43 years (age 89.43)
Female currently aged 45	**26.88 years (age 91.88)**	26.79 years (age 91.79)

History of assets, liabilities and actuarial gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit obligation	**5,865**	5,450	5,307	4,405	4,566
Fair value of assets	**5,923**	5,624	5,228	4,399	5,179
Surplus/(deficit)	**58**	174	(79)	(6)	613

	2012	2011	2010	2009	2008
Experience (losses)/gains on plan liabilities (£'000)	**(316)**	(42)	(900)	230	455
– as a percentage of the present value of plan liabilities	**(5%)**	(1%)	(17%)	5%	10%
Difference between expected and actual return on plan assets (£'000)	**(165)**	131	830	(1,135)	(128)
– as a percentage of the present value of plan assets	**(3%)**	2%	16%	(26%)	(3%)

The Company's best estimate of contributions to be paid by the Company next year is £225,000 (2011: £350,000).

Overseas post-employment benefit obligations

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

- the Group's Japanese subsidiary undertaking, Nippon Auto-Photo K.K., has an unfunded post-employment retirement provision based on an employee's length of service with the company and their current salary. The allowance is paid to an employee when they leave the company. This has been provided for in full within the accounts. During the year ended 30 April 2010, Nippon Auto-Photo K.K. agreed with employees that 50% of the liability for the retirement provision will be paid in cash into an independently controlled defined contribution scheme over the following three years. At 30 April 2012, an amount of £364,000 remains outstanding (2011: £731,000).

- 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 2012 and 30 April 2011. This actuarial valuation incorporated the following principal assumptions in arriving at the present value of the obligations:

  - discount rate 3.75% (2011: 5.0%)
  - rate of increase in salaries 2.5% (2011: 2.5% – 3.0%)
  - retirement age 65 years (2011: 61 – 64 years)
  - inflation rate 0.0% (2011: 2.0%)

Management believes that the book value for retirement obligations in France fairly states the position at 30 April 2012 and 30 April 2011.

The amount charged to the income statement (cost of sales and administration costs) in respect of these obligations is £382,000 (2011: £282,000). The movement in the provisions is as follows:

	2012 £'000	2011 £'000
At 1 May	**3,379**	3,295
Exchange differences	**(62)**	153
Utilised and other movements	**123**	139
Charged/(credited) to other comprehensive income	**112**	(208)
At 30 April	**3,552**	3,379

Overseas pension schemes

The Group's Swiss subsidiary, Prontophot (Schweiz) A.G. participates in funded multi-employer pension schemes. The Swiss state mandates a guaranteed return to which such employees' schemes are entitled. An actuarial valuation was performed at 30 April 2012 by independent actuaries.

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

	2012 £'000	2011 £'000
Present value of defined benefit obligation at 1 May	**3,217**	3,004
Exchange difference	**(30)**	397
Contributions by members	**50**	41
Current service cost	**97**	100
Past service cost	**53**	–
Interest cost	**90**	90
Actuarial loss on plan liabilities	**593**	71
Benefits paid	**(773)**	(486)
Present value of defined benefit obligation at 30 April	**3,297**	3,217

22 Post-employment benefit obligations continued

Reconciliation of the movement in the fair value of plan assets

	2012 £'000	2011 £'000
Fair value of plan assets at 1 May	**3,029**	2,719
Exchange difference	**(30)**	359
Contributions by company and members	**249**	144
Expected return on plan assets	**109**	102
Actuarial gain on plan assets	**162**	191
Benefits paid	**(773)**	(486)
Fair value of plan assets at 30 April	**2,746**	3,029

The movements in the fund are as follows:

	2012 £'000	2011 £'000
Net liability at 1 May	**188**	285
Exchange difference	**–**	38
Increase/(decrease) in liability	**363**	(135)
Net liability at 30 April	**551**	188

Amount to be recognised in the statement of comprehensive income

	2012 £'000	2011 £'000
Current service cost	**97**	100
Past service cost	**53**	–
Interest on obligation	**90**	90
Expected return on plan assets	**(109)**	(102)
Total charge	**131**	88

Amount to be recognised in the statement of financial position

	2012 £'000	2011 £'000
Present value of funded obligations	**3,297**	3,217
Fair value of scheme assets	**(2,746)**	(3,029)
Net liability in statement of financial position	**551**	188

Plan assets

	2012		2011		2010	
	£'000	%	£'000	%	£'000	%
Cash	**30**	**1**	23	1	408	15
Equities & debt instruments	**1,861**	**68**	1,884	62	1,669	61
Other	**855**	**31**	1,122	37	642	24
Total plan assets	**2,746**	**100**	3,029	100	2,719	100
Expected return on plan assets		**3.8**		3.8		3.8

Principal actuarial assumptions

	30 April 2012 %	30 April 2011 %
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	**10.1**	9.9

The mortality tables used in 2012 and 2011 were the BVG2005 tables.

History of assets, liabilities and actuarial gains and losses

	2012 £'000	2011 £'000	2010 £'000
Present value of defined benefit obligation	**3,297**	3,217	3,004
Fair value of assets	**2,746**	3,029	2,719
Deficit	**(551)**	(188)	(285)

	2012	2011	2010
Experience losses on plan liabilities (£'000)	**(372)**	(71)	(112)
– as a percentage of the present value of plan liabilities	**(13%)**	(2%)	(4%)
Difference between expected and actual return on plan assets (£'000)	**162**	191	127
– as a percentage of the present value of plan assets	**6%**	7%	5%

The Group's best estimate for contributions to be paid by the company next year to the scheme is £189,000 (2011: £111,000).

The amount recognised in the income statement for this scheme was £132,000: £106,000 included in cost of sales and £26,000 included in administrative expenses (2011: £88,000: £69,000 included in cost of sales and £19,000 included in administrative expenses).

23 Provisions

Group

	Employee related claims £'000	Product warranties £'000	Other £'000	Total £'000
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
At 30 April 2011	**893**	**2,842**	**778**	**4,513**
Exchange differences	**(104)**	**(246)**	**(69)**	**(419)**
Utilised and other movements	**(543)**	**(95)**	**(400)**	**(1,038)**
Charged to income statement	**1,110**	**324**	**544**	**1,978**
At 30 April 2012	**1,356**	**2,825**	**853**	**5,034**
Amount shown as non-current liability	**–**	**6**	**71**	**77**
Amount shown as current liability	**1,356**	**2,819**	**782**	**4,957**
	1,356	**2,825**	**853**	**5,034**

Company

	Product warranties £'000	Other £'000	Total £'000
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
At 30 April 2011	**38**	**3**	**41**
Utilised	**(80)**	**–**	**(80)**
Charged to income statement	**57**	**–**	**57**
At 30 April 2012	**15**	**3**	**18**
Amount shown as non-current liability	**–**	**3**	**3**
Amount shown as current liability	**15**	**–**	**15**
	15	**3**	**18**

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.

24 Deferred taxation

Deferred tax comprises:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Timing differences relating to property, plant and equipment	**569**	1,131	**(2,453)**	(2,520)
Other timing differences in recognising revenue and expense items in other periods for taxation purposes:				
– research and development	**1,932**	2,359	**–**	–
– post-employment benefit provisions	**(1,864)**	(1,880)	**(265)**	(273)
– losses	**(259)**	–	**–**	–
– other short-term temporary differences	**(1,018)**	(1,341)	**(66)**	(100)
	(640)	269	**(2,784)**	(2,893)
The closing balance comprises:				
– deferred tax assets	**(3,148)**	(3,038)	**(2,784)**	(2,893)
– deferred tax liabilities	**2,508**	3,307	**–**	–
	(640)	269	**(2,784)**	(2,893)

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

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Opening balance	**269**	2,255	**(2,893)**	(658)
Exchange differences	**(20)**	219	**–**	–
(Credit)/charge for the year in income statement	**(771)**	(2,167)	**101**	(1,995)
Transfer of subsidiary's trade	**–**	–	**–**	(99)
Amounts (credited)/charged to other comprehensive income	**(118)**	(38)	**8**	(141)
Closing balance	**(640)**	269	**(2,784)**	(2,893)

24 Deferred taxation continued

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 £2,042,000 (2011: £2,643,000) arising on temporary differences of £8,202,000 (2011: £8,978,000), 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		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Expiring between two and 20 years	**148**	467	**–**	–
No expiry date	**1,894**	2,043	**–**	–
	2,042	2,510	**–**	–

In addition, the Group and the Company have an unrecognised deferred tax asset on gross capital losses of £5,562,000 (2011: £5,562,000), which have not been recognised as their future economic benefit is not certain.

Factors that may affect future tax charges in the UK

On 21 March 2012 the Chancellor announced a reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. This change became substantively enacted on 21 March 2012 and therefore the effect of the rate reduction on the UK deferred tax balances as at 30 April 2012 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 22% 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 24% to 22%, if these rates applied to the deferred tax balances at 30 April 2012, would be to reduce the net deferred tax asset by £231,000.

Factors that may affect future overseas tax charges

Effective 1 April 2012, the Japanese government announced a reduction in the rate of corporation tax for both large, and small and medium companies (SMEs). The full reduction is delayed for 3 years with a 10% surcharge imposed for the 3 years ending 1 April 2015. The effect of this is that the effective rate for companies will reduce from approximately 41% to approximately 38% for the first 3 years and approximately 36% thereafter.

25 Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Amounts shown as non-current liabilities				
Other payables	**130**	365	**–**	–
Accruals and deferred income	**5,516**	7,073	**–**	–
	5,646	7,438	**–**	–
Amounts shown as current liabilities				
Trade payables				
– third parties	**15,094**	19,829	**4,298**	3,993
Amounts owed to subsidiaries	**–**	–	**10,418**	14,075
Amounts owed to associates	**–**	1	**–**	–
Other taxes and social security costs	**3,454**	2,545	**925**	1,184
Other payables	**6,486**	12,682	**82**	3,711
Accruals and deferred income	**9,794**	12,228	**3,272**	3,542
	34,828	47,285	**18,995**	26,505

Included in current liabilities – other payables, Group and Company, for 2011 is £3,614,000 relating to the interim dividend, which was paid in May 2011.

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

26 Operating leases

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

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Land and buildings				
Not later than one year	**5,058**	4,842	**1,114**	1,057
After one year but not more than five years	**7,459**	8,381	**605**	955
After five years	**319**	1,536	**10**	31
	12,836	14,759	**1,729**	2,043
Other				
Not later than one year	**716**	973	**543**	586
After one year but not more than five years	**1,098**	1,004	**910**	700
	1,814	1,977	**1,453**	1,286
Total				
Not later than one year	**5,774**	5,815	**1,657**	1,643
After one year but not more than five years	**8,557**	9,385	**1,515**	1,655
After five years	**319**	1,536	**10**	31
	14,650	16,736	**3,182**	3,329

Lease arrangements

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

27 Capital commitments

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'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	**462**	1,428	**14**	–

In addition, the Group's Operations companies have contracted with the Group's Sales & Servicing companies for the supply of machines totalling £303,000 (2011: £622,000), of which the Company's commitments total £303,000 (2011: £158,000).

28 Contingent liabilities

The Group and the Company have issued guarantees as follows:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Borrowings by subsidiaries	**–**	–	**20**	114

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 (2011: none).

29 Related parties

The following transactions were carried out with related parties:

Key management compensation

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Salaries and other short-term employee benefits				
– excluding ex-gratia and termination payments	**1,340**	1,334	**1,340**	1,334
– ex-gratia and termination payments	**–**	50	**–**	50
	1,340	1,384	**1,340**	1,384
Post-employment benefits	**8**	8	**8**	8
Share-based payments – charge	**22**	14	**22**	14
	1,370	1,406	**1,370**	1,406

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 28 to 34. 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 (2011: £8,000). No director who served during the year was a member of the Company's defined benefit pension scheme (2011: none).

Directors of the Company control 22.05% of the voting Ordinary shares of the Company. The interests of the directors are shown on page 32 of the Remuneration report.

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

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Sales of goods and services				
Related parties other than associates	**–**	130	**–**	–
Associates	**126**	92	**–**	–
	126	222	**–**	–
Purchases of goods and services				
Related parties other than associates	**–**	67	**–**	13
Associates	**–**	1	**–**	–
	–	68	**–**	13
Trade and other receivable balances				
Related parties other than associates	**–**	45	**–**	–
Associates	**37**	59	**–**	–
	37	104	**–**	–
Trade and other payable balances				
Associates	**–**	1	**–**	–

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

29 Related parties continued

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

Mr David, non-executive director and Life President, who died during the year, had declared for the previous year controlling interests in certain companies which had 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 £51,000 (2011: £64,000).

Company transactions with subsidiaries

	2012 £'000	2011 £'000
Sales	**221**	215
Purchases	**4,634**	5,381
Amounts owed by subsidiaries	**3,990**	2,051
Amounts owed to subsidiaries	**10,418**	14,075

In addition, the Company has charged interest to subsidiaries of £14,000 (2011: £15,000), has been charged interest of £59,000 (2011: £62,000), has charged management fees of £2,441,000 (2011: £1,119,000), has been charged management fees of £1,386,000 (2011: £1,156,000) including £1,386,000 (2011: £1,156,000) as a contribution to research and development and has sold fixed assets to subsidiaries of £17,000 (2011: £22,000). The Company also acquired new fixed assets from subsidiaries of £2,433,000 (2011: £2,765,000).

Dividends received from subsidiaries were £10,533,000 (2011: £14,871,000) and from associates £101,000 (2011: £65,000).

30 Group undertakings

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

Details of other subsidiary and associated undertakings not listed here will be annexed to the Company's next Annual Return.

The Company's interest in the Group undertakings is the same as the Group's interest, with the exception of investments marked (*) where the shares are held by another Group undertaking. All holdings shown relate to Ordinary shares. Unless indicated otherwise the voting rights are the same as the percentage of shares held.

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

	Principal activity	Group's interest	Country of incorporation
Subsidiary undertakings			
Fotofix-Schnellphotoautomaten G.m.b.H.	Operations	100%	Germany
Jolly Roger (Amusement Rides) Limited	Sales & Servicing	100%	England
KIS S.A.S.	Sales & Servicing	100%*	France
Nippon Auto-Photo Kabushiki Kaisha	Operations	100%	Japan
Photocompagnie S.A.	Sales & Servicing	100%*	France
Photomatico (Singapore) Pte. Limited	Operations	100%	Singapore
Photomaton S.A.S.	Operations	100%*	France
Photo Me France S.A.S.	Investment	100%	France
Photo-Me Ireland Limited	Operations	100%	Ireland
Prontophot Austria G.m.b.H.	Operations	100%	Austria
Prontophot Belgium N.V.	Operations	100%	Belgium
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			
Max Sight Limited	Operations	33%	Hong Kong
Photo Direct Pty Ltd	Sales & Servicing	33%	Australia

Financial Statements

31 Business combinations

In March 2012, the Group acquired 100% of the equity of a small company engaged in the Operations segment and separately acquired the trading assets and liabilities of the company. The terms of the acquisition were that the external financial liabilities (loans and finance leases) were settled immediately, and the balance due to the seller to be settled on deferred terms. It is expected the acquisition will strengthen the Group's presence in the market and result in reduced costs due to operational efficiencies.

There was nil consideration for this acquisition. The following table summarises the provisional fair value of assets and liabilities acquired.

	£'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant & equipment	760
Held to maturity investments	200
	960
Loans and finance leases	(438)
Trade and other payables due to seller	(522)
	(960)
Total identifiable net assets	–

Costs relating to the acquisition have been charged to administrative expenses in the consolidated income statement for the year ended 30 April 2012.

The assets and liabilities shown in the above table are provisionally determined. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Since its acquisition the acquired company has contributed £250,000 of revenue and a profit before tax of £1,000.

FIVE YEAR SUMMARY
for the years ending 30 April

Income statement (unaudited)

	2012 £'000	2011 £'000	2010* £'000	2009* £'000	2008* £'000
Revenue					
Operations	**178,063**	176,852	172,456	166,144	150,139
Sales & Servicing	**29,778**	42,968	51,810	59,147	60,701
Total revenue	**207,841**	219,820	224,266	225,291	210,840
Operating profit/(loss) after special items before finance costs	**20,019**	18,388	13,595	(16,687)	(19,333)
Net finance cost	**121**	(385)	(1,283)	(3,401)	(3,064)
Profit/(loss) before tax	**20,140**	18,003	12,312	(20,088)	(22,397)
Taxation	**(5,594)**	(4,252)	(2,484)	2,351	2,584
Profit/(loss) after taxation	**14,546**	13,751	9,828	(17,737)	(19,813)
Attributable to:					
– Equity owners of the Parent	**14,349**	13,608	9,722	(15,622)	(19,908)
– Non-controlling interests	**197**	143	106	(2,115)	95
	14,546	13,751	9,828	(17,737)	(19,813)
Earnings per share – Basic	**3.97p**	3.77p	2.70p	(4.34)p	(5.52)p
Earnings per share – Diluted	**3.95p**	3.74p	2.69p	(4.34)p	(5.52)p
Dividends – interim	**1.25p**	1.00p	0.25p	–	–
Dividends – final	**1.25p**	1.00p	1.00p	–	–
Total dividends	**2.50p**	2.00p	1.25p	–	–

* Including discontinued operations.

Statement of financial position (unaudited)

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Intangible assets	**18,853**	20,461	19,773	19,038	30,461
Property, plant and equipment	**47,275**	52,596	61,219	77,526	82,955
Other non-current investments	**592**	598	583	716	595
Other non-current assets	**6,877**	6,922	3,441	2,503	2,069
Current assets	**86,075**	97,539	84,418	69,729	101,728
Assets held for sale	**–**	–	–	8,008	469
Total assets	**159,672**	178,116	169,434	177,520	218,277
Share capital	**1,850**	1,844	2,039	2,037	2,037
Treasury shares	**(5,802)**	(5,802)	(5,802)	(5,802)	(5,802)
Reserves	**99,792**	91,778	81,323	76,618	80,697
Non-controlling interests	**1,001**	935	792	781	2,589
Total equity	**96,841**	88,755	78,352	73,634	79,521
Total non-current liabilities	**13,292**	20,595	25,298	38,022	45,203
Total current liabilities	**49,539**	68,766	65,784	58,063	92,269
Liabilities held for sale	**–**	–	–	7,801	1,284
Total equity and liabilities	**159,672**	178,116	169,434	177,520	218,277
Net cash/(debt)	**51,832**	40,679	8,077	(23,499)	(45,563)

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.

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Financial public relations
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76 Great Suffolk Street
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The Registry
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Beckenham
Kent
BR3 4TU

SHAREHOLDER INFORMATION

Analysis of registered shareholdings at 27 June 2012

	Number of holdings	Number of Ordinary shares	% of issued Ordinary share capital
Category:			
Individuals	2,479	11,099,529	3.0
Nominees	365	214,814,737	58.1
Other corporate bodies	48	144,066,297	38.9
	2,892	369,980,563	100.0
Size of holding:			
1 – 1,000	1,429	728,478	0.2
1,001 – 10,000	1,111	3,407,493	0.9
10,001 – 100,000	242	7,789,873	2.1
100,001 – 500,000	61	13,362,341	3.6
500,001 – 1,000,000	23	16,485,172	4.5
1,000,001 and above	26	328,207,206	88.7
	2,892	369,980,563	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

SHAREHOLDER INFORMATION CONTINUED

Transfer office and registration services

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

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

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

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

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

Copies of the Annual Report should be requested from:

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Financial calendar

Annual General Meeting		13 September 2012
Half year results		
(to 31 October 2012)		Announcement in December 2012
Full year results		
(to 30 April 2013)		Announcement in June/July 2013
Dividend		
Final (year to 30 April 2012)	– ex-dividend date	26 September 2012
	– record date	28 September 2012
	– payment date	7 November 2012

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