

# Photo-Me

ANNUAL REPORT 2017



**TECHNOLOGICAL**

O  
V  
A  
T  
I  
O  
N

N

T  
I  
O  
N

# Serge Crasnianski

Photo-Me International plc



## Entrepreneur of the Year Award

**Serge Crasnianski, Chief Executive Officer was presented with the Entrepreneur of the Year Award at the prestigious PLC Awards 2016, held at the Grosvenor House Hotel in London.**

This award recognises leadership, whilst maintaining the essential entrepreneurial spirit that continues to drive the Group, the management structure in place to cope with the demands of running a public company and the proactive motivation of the management team and all employees.

Caption: Kevin Burrowes, Executive Board Member, Clients and Markets Leader, PwC; Sam Smith, CEO, finnCap; Serge Crasnianski, CEO, Photo-Me International plc, and BBC presenter Naga Munchetty

## CONTENTS

Entrepreneur of the Year Award	2
About Photo-Me	3
Financial Highlights	3

## STRATEGIC REPORT

Our Business	6
- Identification	6
- Laundry	8
- Kiosks	9
Chairman's Statement	10
Growth Strategy	11
Business Review	12
- Investment in Innovation	14
- Case Studies	15
- Review of Performance by Geography	17
- Key Performance Indicators	20
- Our Team	21
- Future Prospects	21
Financial Review	22
Principal Risks	26
Corporate Responsibility Statement	28
Viability Statement	31

## CORPORATE GOVERNANCE

Board of Directors and Company Secretary	34
Report of Directors	35
Corporate Governance	38
Remuneration Report	42
- Annual Statement	42
- Remuneration Policy Report	43
- Annual Report on Remuneration	47
Statement of Directors' Responsibilities	53
Independent Auditor's Report	54

## FINANCIAL STATEMENTS

Group Statement of Comprehensive Income for the Year Ended 30 April 2017	60
Statements of Financial Position for the Year Ended 30 April 2017	61
Group Statement of Cash Flows	62
Company Statement of Cash Flows	63
Group Statement of Changes in Equity	64
Company Statement of Changes in Equity	65
Notes to the Financial Statements for the Year Ended 30 April 2017	66
Five Year Summary	124
Company Information & Advisors	125
Shareholder Information	126

## About Photo-Me

### WE ARE

an international market leader in automated instant-service equipment, with 48,000 vending units across 18 countries.

### OUR VISION

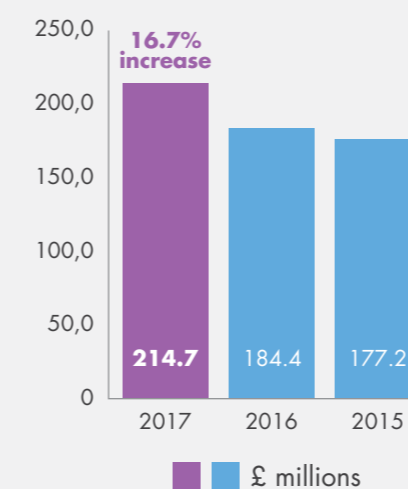
is to realise shareholder value as the go-to provider for multiple instant vending services, located in the most convenient locations, and to become the leader in digital and biometric security identification solutions.

### OUR MISSION

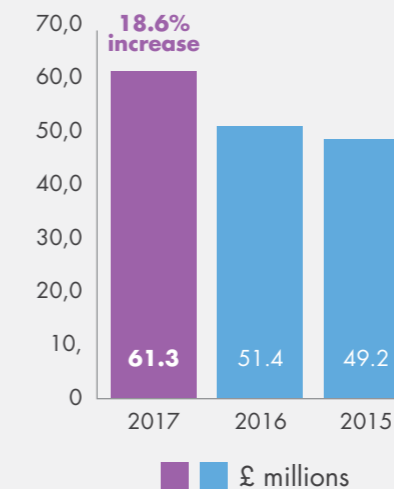
is to extend the suite of services available through our established network and relationships through investment in technological innovation and diversification of our operations in existing and new geographies.

## Financial Highlights

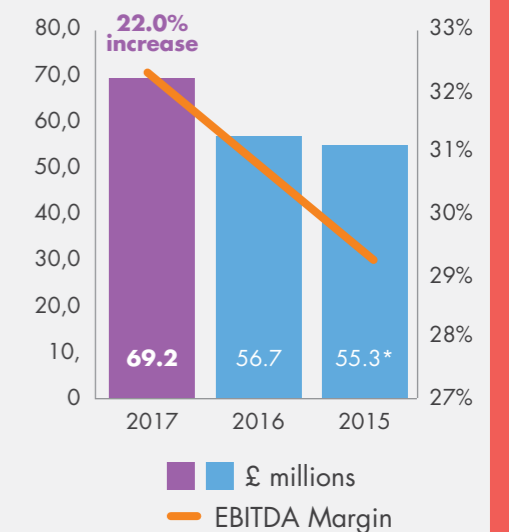
### Reported revenue



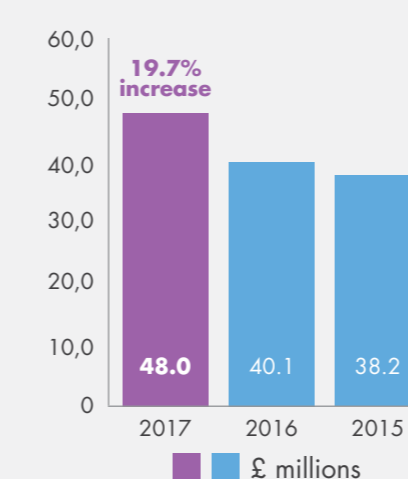
### Cash generated from operations



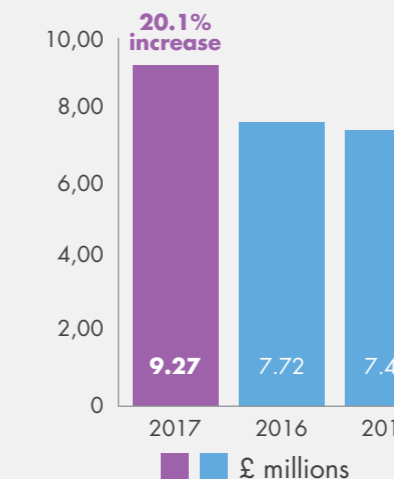
### Reported EBITDA



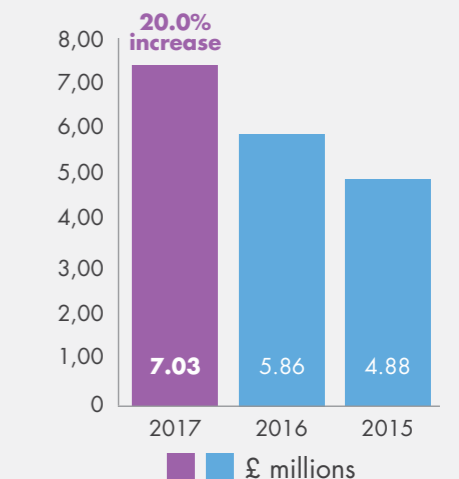
### Profit before tax (£m)



### Earnings per share (diluted) (p)



### Total ordinary dividend per ordinary share (p)



\* Includes profit on sale of land of £3.5m



# OUR TEAM

technological:  
**INNOVATION**

Our business is focused on three principal areas: **Identification**, **Laundry** and **Kiosks**.



**Key strengths:**

- Brand recognition
- Customer experience
- Partnerships with major site owners
- Established network of field engineers
- Strong balance sheet
- Investment in innovation



**Identification**

An established, international network of more than 28,500 photobooths, primarily aimed at the consumer market.

**Our operations**

Photo-Me is the leading brand across all our geographies. Our integrated proprietary software ensures all photographs conform to the International Standards Organisation (ISO) and International Civil Aviation Organisation (ICAO) regulations for photo identification. This network is supported, maintained and upgraded by our skilled team of field engineers and is connected via a sophisticated remote monitoring telemetry system.

**Growth drivers**

- Steady replacement rates of official documents
- Population growth supporting marginal expansion
- Increased travel linked to GDP
- Increasing appetite from governments for improved, digitalised security ID

**ID SOLUTIONS FOR GOVERNMENT**

In addition to traditional 2D photo identification services, we have cutting-edge technologies that offer governments secure integrated solutions, including biometric data capture, secure and direct transfer of data to government servers, and 3D facial image capture via our photobooths.

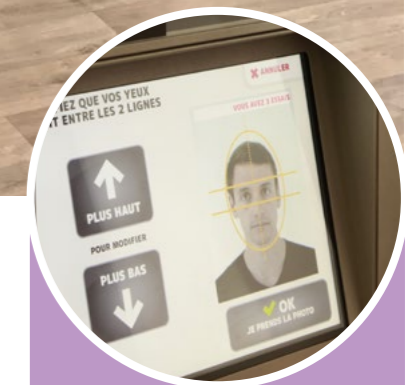
We work closely with national institutions to fully understand government standards and security requirements. To date, our government ID security solutions have been successfully deployed in France, Switzerland, Germany, China, Japan, Georgia and Ireland.



28,541 photobooths across 18 countries.



Market leading brands.



3D enrolment booth showcased at TRUSTECH, Cannes.



## Laundry

Photo-Me own and operate a total of 1,965 laundry units across 12 countries, primarily in France, Ireland, Belgium and Portugal.

### Our operations

We currently operate 1,750 self-service Revolution laundry machines in 12 countries, as well as 50 laundrettes in France, Spain, Portugal, Ireland and Japan. The Group also has B2B operations in the UK with the potential to extend into other geographies. Approximately 90 percent of the Revolution machines recently deployed are owned/operated by Photo-Me, and the remaining are sold to site operators. Photo-Me is targeting 6,000 laundry units by 2020 and an increased geographic presence.

### Growth drivers

- Demand for high capacity laundry services
- Competitive pricing
- Convenience; prime locations, open 24/7
- Limited branded competition



Outdoor self-service laundry units, providing 24 hour access to large-capacity, rapid laundry services, located on high footfall sites, such as supermarket car parks where we have an existing photobooth presence.



Laundrette shops, typically located in or near town centres, offering consumers convenient and competitively priced large-capacity, self-service laundry amenities.



Business-to-business distribution and leasing of laundry and catering equipment to institutions such as hospitals, care homes and universities, through Fowler UK.



## Kiosks

We operate nearly 5,900 printing kiosks across Europe in France, UK, Belgium, The Netherlands, Switzerland, and in Japan.

### Our operations

We operate nearly 5,900 printing kiosks across Europe in France, UK, Belgium, the Netherlands, Switzerland, and in Japan.

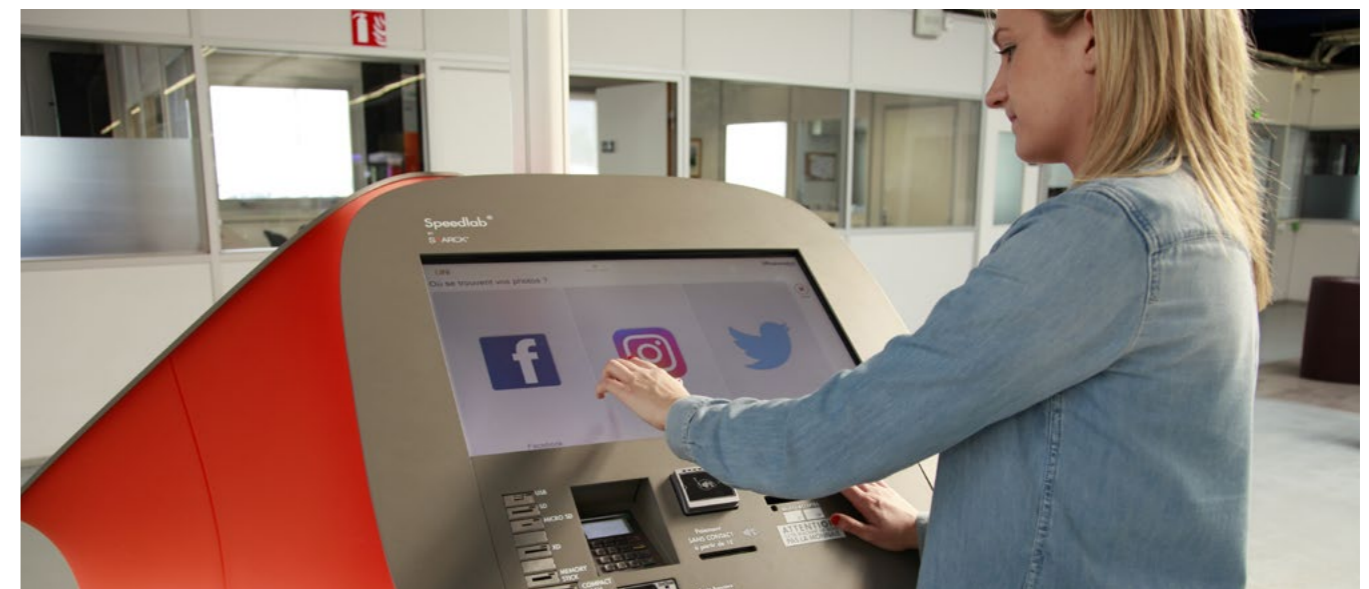
Our latest-generation kiosks, designed by Philippe Starck, enable easy, competitively priced printing from smartphones and are fully integrated with major social media networks for rapid, high-quality printing.

In addition, we operate 363 sites in the UK with photo printing and processing capability. Previously, these made up the UK photo division of Asda Stores Limited which was acquired by the Group in November 2016. We are

currently rebranding these sites to Me by Photo-Me as we continue to strengthen our market position in the photo-printing services market and enhance our online photo-processing offering.

### Growth drivers

- Increased use of smartphones; used to take 80% of photos in 2016
- Digital photo sharing across social media platforms
- Fragmented market, expansion opportunities across Europe, US and Asia



## Our international presence

We currently operate in 18 countries worldwide, focused on three core geographic areas: Continental Europe, UK & Ireland, and Asia & Rest of the World.

We are looking to extend our geographic presence, particularly through our existing long-standing relationships with major high footfall site owners.

Our truly international presence is reflected in 90% of our profits generated outside the UK.





In 2017, the Group delivered record profits and, aided by currency exchange rates, double-digit earnings growth as we continue to make excellent progress in line with our strategy to invest in technological innovation and complementary products to drive future growth.

John Lewis  
Non-executive Chairman

**Results**

The Group made good progress in the financial year, reflecting our ongoing investment in product innovation, the extension of our services in the photo identification market and the continued growth of our laundry business. With 90% of our profits generated from outside the United Kingdom, the business has also benefited from favourable currency movements.

Reported revenue increased by 16.7% to £214.7m and at constant currency increased by 3.3% to £190.0m. Reported EBITDA margin increased by 140 bpts to 32.2% of revenue. Reported profit before tax rose by 19.7% to £48.0m, and at constant currency increased by 4.2%.

Our net cash position remains strong at £39.2m (as at 30 April 2017), notwithstanding our £40.9m investment into the business, and the distribution of dividends amounting to £32.6m during the financial year.

**Strategy**

The Group's international operations and technological innovation is focused on three market segments, identification, laundry and digital kiosks, and we currently operate across 18 countries.

During the financial year, we have continued to make good progress in diversifying our operations and developing new technologies with multiple applications. This ongoing investment is self-funded through the stable cash flow from our established photobooths business and, due to the scale of the Group's operations and low fixed-cost base, new products and services can be deployed at a relatively low cost to the business.

The Group is particularly focused on further developing its proven integrated digital security solutions for governments, enabling direct and secure transfer of data from its photobooths for official documentation, such as driving licences and passports.

We have had a number of important milestones in our identification division. In Ireland, the Group's encrypted photo ID upload technology was adopted by the Irish government for its new Online Passport Application service, with the service expected to be rolled out to 300 photobooths by the end of 2017. This follows the successful deployment of secure data transfer technology photobooths in France, enabling photo ID to be uploaded directly to ANTS (Agence Nationale des Titres Sécurisés, a national agency linked to the French Ministry of Transport) servers for driving licence applications.

In addition, the Group is investing in the development of proprietary 3D capture and enrolment technologies, which were showcased at TRUSTECH in Cannes (France), a large event dedicated to Trust Based Technology, which took place last autumn. As a Board, we believe these new technologies will become increasingly important in the secure identification market in the future and we remain focused on developing our market-leading capabilities in this area.

The rapid expansion of our laundry division into all segments of the laundry market in Europe has continued apace and remains a key focus for the Group. During the year, 1,103 laundry units were deployed and we remain on track to achieve our target of 6,000 owned and operated units by 2020.

During the year, Photo-Me has launched the new SpeedLab digital printing kiosks designed by Philippe Starck, deploying the new machines at major retailers in Europe and the UK. The new machines feature enhanced technology enabling the best customer experience in the market. Some kiosks, in France, are enabled with the MoneyGram application allowing account setups and money transfers.

**Dividends**

The Board is committed to a progressive dividend strategy. In 2016, we pledged to increase the ordinary dividend by 20% for the financial years ending 30 April 2017 and 30 April 2018.

In line with this strategy, the Board is proposing a final dividend payment of 3.94 pence per share (2016: 3.285 pence per share). Together with the interim dividend of 3.09 pence per share paid on 11 May 2017, this brings the total dividend for the year ended 30 April 2017 to 7.03 pence per share, an increase of 20% year on year (2016: 5.86 pence per share).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 10 November 2017 to shareholders listed on the register on 13 October 2017. The ex-dividend date will be 12 October 2017.

**Employees**

On behalf of the Board, I would like to extend my sincere appreciation to our management team and employees around the world for their hard work, dedication and loyalty which has contributed to these strong results.

**Current trading and outlook**

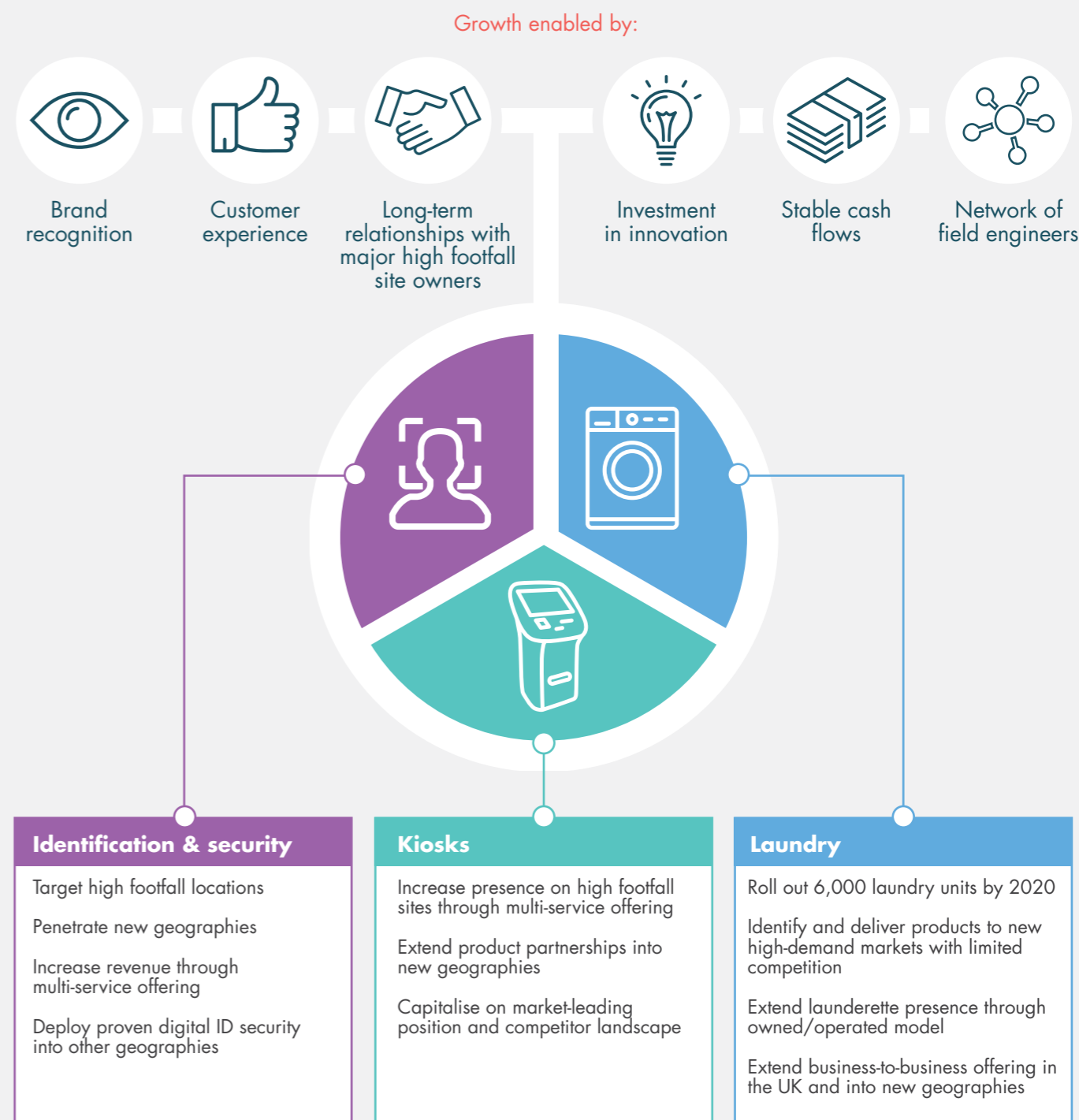
The new financial year has started in line with our expectations. Whilst uncertainties remain with regard to the evolution of currencies, as well as to the consumer spending and disposable incomes in many of our key markets, the Board remains confident that our market-leading position and investment in innovation will continue to support the future prospects of the business.

**John Lewis**  
Non-executive Chairman  
27 June 2017

Our business strategy remains focused on the diversification of operations by investing in the development of technologies with multiple product applications for deployment across our target geographies.

We utilise the stable cash flow from our long-established photobooth operations to develop new and complementary products to drive future growth as we strive to get the best yield from our instant-service equipment estate. The scale of our operations enables us to add new products and services to our network at a low incremental cost by using our existing network of field engineers.

Three-year strategy (2017 - 2020)





The expansion of our laundry business and the ongoing investment and deployment of our integrated identification technologies have remained key focuses during the year and we have made excellent progress in these areas.

Serge Crasnianski  
Chief Executive Officer & Deputy Chairman

**Our business model**

Photo-Me operates, sells and services a wide range of instant-service vending equipment, primarily aimed at the consumer market. We currently have 47,946 vending units in operation and our technological innovation is focused on three principal areas:

- Identification: photobooths and integrated biometric identification solutions
- Laundry: unattended laundry services
- Kiosks: high-quality digital printing

In addition, we operate vending equipment, such as children’s rides, amusement machines and business service equipment.

This equipment is generally sited in prime locations in areas of high footfall, such as supermarkets, shopping malls (indoors and outdoors) and public transport venues.

The vast majority of these units are operated and maintained by Photo-Me. Photo-Me pays the site owner a commission based on turnover, which varies depending on the country and location of the machine.

The Group operates in 18 countries worldwide and its financial performance is reported with regard to three geographic regions: UK & Ireland, Continental Europe, and Asia & Rest of the World.

Photo-Me’s business strategy is centred on utilising cash flow from our long-established photobooth operations to develop new and complementary products to drive future growth, combined with the penetration of new geographic markets.

**Our key strengths**

**Brand recognition:** We operate market-leading brands in identification security with household names, such as Photo-Me in the UK, Photomaton and KIS in France.

**Customer experience:** The majority of our business is consumer-oriented and we are focused on providing our customers with modern, easy-to-use equipment which is reliable and provides high-quality, value-for-money services in convenient locations.

**Partnerships with major site owners:** We have established long-term relationships with site owners, such as supermarkets, shopping malls, public transport networks, city hall and public administration buildings, to ensure optimum positioning of our machines. These partnerships provide access to strategically positioned, high footfall locations which are attractive to the consumer, with the opportunity to deploy additional services on site.

**Established network of field engineers:** We have an established network of approximately 700 dedicated regional field engineers across our geographies. These teams operate across our range of products and are able to support growth at a low incremental cost to the Group. They are responsible for collecting revenues from our machines, ensuring optimal availability of equipment and a high quality of service for the duration of the contracts with site owners.

**Strong balance sheet:** The strength of our cash flow from our established photo identification business allows us to largely self-finance capital expenditure programmes and technological innovation while also returning cash to shareholders by way of dividends.

**Investment in innovation:** We are committed to continuing to invest in new products and technologies as we continue to diversify our operations and seek new and complementary revenue streams to drive future growth.

**Overview of business segments and strategy**

**Identification**

Photo-Me is the world’s largest operator of photobooths with market-leading photographic quality and technology. We operate an established network of 28,541 photobooths, representing 59% of our total unattended instant-service equipment estate.

Our next-generation Starck photobooth, designed by Philippe Starck, has a contemporary look which is more attractive to consumers and delivers monthly revenue estimated to be approximately 10% higher than our traditional photobooth. This new-look booth now represents approximately 18% of the Group’s photobooth estate.

All of our photobooths have integrated software which automatically ensures photographs conform to the multiple technical criteria outlined in the 73 page photo identification regulations manual issued by the International Standards Organisation (ISO) and the International Civil Aviation Organisation (ICAO), offering significant advantages when compared with home-taken photographs for official documents.

In recent years, the Group has been investing in the development of integrated solutions for the secure transfer of photo ID and biometric data (such as e-signatures and fingerprints) direct to government servers. This technology is currently being deployed in seven countries. In addition, Photo-Me is a leader in employing 3D facial image capture and facial recognition technology, which the Board believes represents the next generation in identification security.

Photo-Me is currently developing the next generation of its booths, evolving the machine to offer multiple services, beyond the historical and traditional 2D photo capture. Alongside the capability to create and operate Moneygram accounts, the new functionality enables the booth to offer self-service retail banking facilities.

**GROWTH DRIVERS**

Steady replacement rates of official documents which require a photograph, population growth and increasing international travel linked to GDP growth all drive growth in the photo ID market. In the current context of general public security strengthening, there is also an increasing appetite from governments for improved and digitalised security ID requirements to combat fraud and terrorist activity.

**Laundry**

The Group owns and operates 1,965 laundry units across its laundry businesses in twelve countries, primarily in France, the UK, Ireland, Belgium and Portugal. Of the Revolution units recently deployed, approximately 90 percent are owned/operated by Photo-Me and the remaining are sold to site operators.

Our growth strategy for the laundry business, which was launched in 2012, is predicated on leveraging our well-established relationships with site owners to access prime locations, mainly where we already operate other instant-service equipment, such as photobooths. We are targeting deployment of 6,000 units by 2020 and an increased geographic presence.

There are three key segments within our laundry operations:

**Revolution:** This is our 24 hour, outdoor self-service laundry unit for large capacity, rapid laundry services. These units are located on easy access, high footfall sites, such as supermarket car parks or petrol forecourts. The original Revolution machine has a 10m<sup>2</sup> footprint and comprises two large washers and a dryer. In 2017, we extended the Revolution range to include two reduced footprint models; the compact and the mini, which have a 5m<sup>2</sup> footprint. The models are better suited to some locations and target markets, such as the Far East.

As at April 2017, the Group operated 1,750 Revolution machines.

**Launderettes:** At the end of April 2017, the Group had 50 launderettes located in France, Spain, Belgium, Ireland and Japan. Typically, these shops are positioned in or near to town centres where there is limited competition from other laundry services.

Our strategy is to acquire underperforming launderette businesses located on attractive sites and refit the shop in a stylish, contemporary format that is more attractive to the end consumer. More specifically, in the short to medium term, our aim is to expand our presence in the launderette market in Japan, estimated to be one of the largest worldwide market for launderettes.

**B2B laundry operations:** Fowler UK, acquired in October 2015, is a distributor and lessor of laundry and catering equipment. It currently operates in the UK market, however the Board believes there is potential to extend the business model into other geographies, particularly Continental Europe. Our B2B customers include institutions such as hospitals, care homes and universities. As at 30 April 2017, Fowler UK directly operated 215 laundry units.

**GROWTH DRIVERS**

The laundry market is driven by demand for self-service high-capacity laundry services at competitive prices. Customers include small businesses (such as hotels, restaurants), institutions and sports clubs (such as football teams) and individuals with items and quantities of washing too large for a domestic machine.

**Kiosks**

We have 5,872 digital printing kiosks in operation, representing approximately 12% of our total instant-service equipment estate. Our key geographic markets are Europe (France, UK, Belgium, the Netherlands, Switzerland and Germany) and Japan.

Our digital printing services offer a wide range of print formats and personalised products which are competitively priced and available via multiple devices. The latest-generation kiosks, designed by Philippe Starck, are fully integrated with all major social media networks to enable rapid, high-quality printing.

Our digital printing kiosks have also been deployed in the 363 selling points of the UK Photo Division of Asda Stores Limited, acquired on 31 October 2016. Our Kiosk product range and recently launched products include:

- Photo-processing services via SpeedLab
- MoneyGram kiosks – money transfer services through our MoneyGram partnership agreement
- Selfie Booth Kiosks – light-weight, portable selfie booths for special events
- Gift Card Kiosks – self-service instant customised gift cards (piloting in Switzerland)

**GROWTH DRIVERS**

The increased use of smartphones, which accounted for 80% of photos taken in 2016, and digital sharing across social media networks have driven demand for photo-printing services.

**Other instant-service equipment**

The Group operates interactive character and simulator rides for children as well as a selection of other coin-operated amusement machines. The 5,148 children’s rides and 6,420 other vending units in operation represent approximately 11% and 13% of the Group’s total units in operation respectively. These units are primarily located on sites where we already operate other services and can leverage existing site-owner relationships.

**Our growth strategy**

We aim to create shareholder value through ongoing investment in new technologies to develop new and complementary products and services which can be rapidly deployed across our existing and new geographies, and provide rapid return on investment.

This strategy is based on expanding the number of units in operation, increasing the yield per unit and minimising production and operational costs to the Group in achieving this objective.

**THREE-YEAR STRATEGY (2017 - 2020)**

**Identification & security**

- Target high footfall locations
- Penetrate new geographies
- Increase revenue through multiple-service offering
- Deploy proven digital identification security technologies into other geographies

**Laundry**

- Deploy 6,000 laundry units by 2020
- Identify and deliver offering to new high demand markets with limited competition
- Extend launderette presence through the owned/operated model
- Extend business-to-business offering in the UK and into new geographies

**Kiosks**

- Increase presence on high footfall sites through multi-service offering
- Extend product partnerships into new geographies
- Capitalise on market leading position and competitor landscape

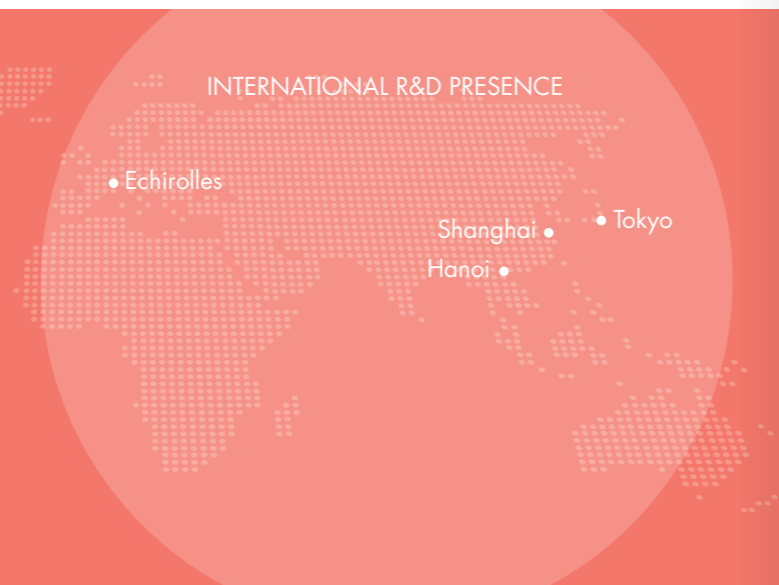
Investment in innovation for future growth lies at the core of our business.

**Development capabilities**

We have established international research and development (R&D) capabilities in Echirolles (France), Shanghai (China), Hanoi (Vietnam) and Tokyo (Japan).

Our dedicated team of 60 highly experienced engineers specialises in software development, 3D technology, ID security standards, design and unit upgrades.

Our R&D facility in France plays a key role in the identification of new market opportunities and new product industrialisation, undertaking pilot production and testing prior to large-scale production in Eastern Europe and China.



**Our key areas of focus**

**REFURBISHMENT AND UPGRADES**

We continually refurbish and upgrade our existing product estate to support our market-leading position.

In 2011, we commenced rollout of our next-generation photobooth, designed by Philippe Starck. With 5,235 units having been deployed across the estate, the new design now accounts for approximately 18% of our total photobooth estate and is delivering enhanced increased takings.

Our Telemetry software provides automated monitoring to ensure optimal availability and high-quality service of our equipment. Not only does Telemetry enable our engineers to monitor machines remotely and receive alerts regarding any faults, it also facilitates remote servicing and repairs.

**PROPRIETARY SECURITY BIOMETRIC IDENTIFICATION SOLUTIONS**

Security identification has traditionally focused on 2D images. However, the Board believes that the next generation in identification will incorporate integrated 3D image capture, facial recognition, biometrics and enrolment technologies.

Photo-Me believes itself to be the only company in the market employing instant 3D image capture. Our photogrammetry-based proprietary scanning system generates an accurate, ultra-high resolution, full colour 3D surface image which is virtually impossible to falsify.

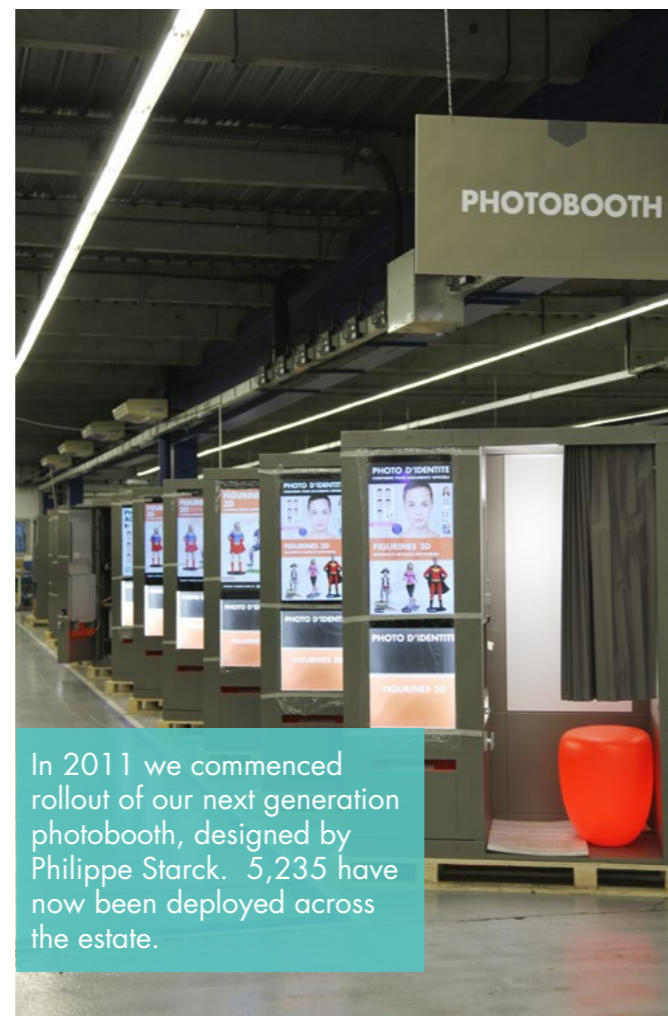
By combining 3D images with facial recognition technology, the digital image is significantly more accurate and creates an unrivalled level of security.

The security features embedded in these cutting-edge technologies greatly enhance protection against counterfeit and fraudulent identification papers. The 3D encrypted digital portrait photos, which use various encryptions such as QR code, Tag RFID, holographic laser engraved and secured chips, are the ideal, secure identification solution for official documents.

**NEW PRODUCT DEVELOPMENT**

We are focused on extending the services available via our photobooths and identifying new product segments with attractive cash-based characteristics. We leverage our strong existing site-owner relationships and, with any new product introduced, we aim to achieve first year gross revenues equivalent to the cost of the investment.

A recently developed new product has the capability to provide front-end retail banking services via our extensive network of photobooths, supporting fintech companies competing with traditional high street banks. The photobooth would offer customers 100% instant, self-service banking services through secure data transfer for account management. Once registered, users of the service would be able to access instant card delivery and activation services, make deposits and print transaction histories. Customers would be able to receive assistance via video link if they encounter any problems.



In 2011 we commenced rollout of our next generation photobooth, designed by Philippe Starck. 5,235 have now been deployed across the estate.

**Digital photo and e-signature enrolment in France**

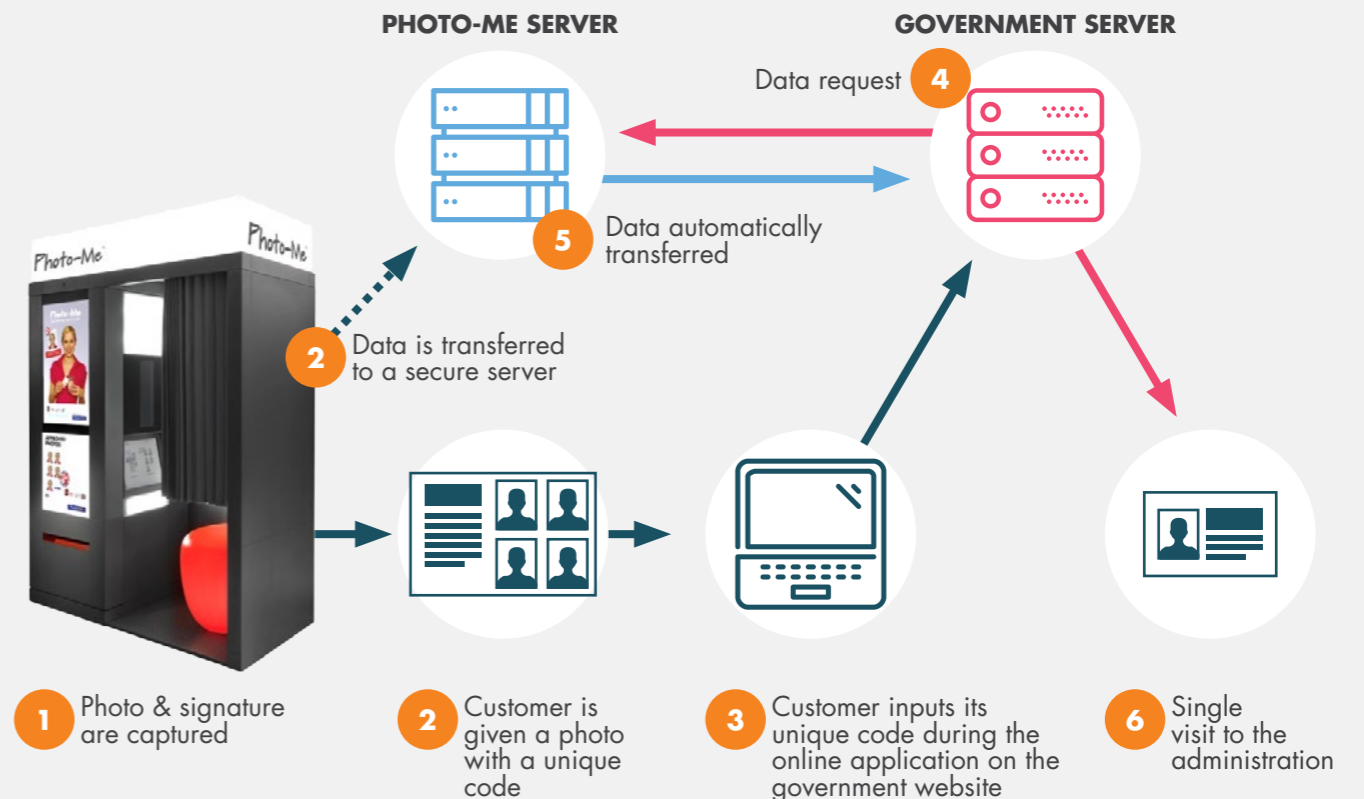
Photo-Me has been working in close partnership with the Agence Nationale des Titres Sécurisés (ANTS) to deploy a national secure-connection system to collect digital signatures and ICAO-compliant ID photos for driving licences. ANTS is a national agency linked to the French Interior Ministry that issues secure official personal documents.

- In 2013, the French government created a new-format driving licence incorporating holographic design and a machine-readable zone, similar to passports.
- In June 2014, Photo-Me started working with ANTS to develop software to digitally transfer ID photos and

e-signature files from its extensive photobooth network across France. This technology enables data to be sent from its photobooth to the ANTS national secure server, whilst remaining fully compliant with the latest identity assurance and privacy protection standards.

- In December, Photo-Me secured the first agreement with ANTS to allow the delivery of digitalised e-photos and e-signatures, fully compliant with the new requirements, sent from its photobooth via a secure server.
- Software upgrades to the photobooths in France were completed during 2016.

**Overview**



- 1.** This process simplifies the licence application process and provides a much higher level of security to the French authorities.
- 2.** When customers have their new ID photos taken in one of the connected photobooths, the ICAO-compliant photo is securely transferred directly to the ANTS system where it can be accessed online for the driving licence application process.
- 3.** This ensures there is no risk of the photo being manipulated, and addresses increasing concerns surrounding identity fraud.



## Business Review continued

### CASE STUDIES continued

#### Encrypted photo ID technology in partnership with Irish Government

Following the success of our secure data capture and transfer technology in France, and growing demand from governments for increasingly sophisticated photo identification in Europe, we have focused on opportunities to develop similar technologies in other countries.

Our secure digital upload technology was adopted by the Irish government in March 2017 for the digital transfer of ID photos as part of its Online Passport Application service.

- In February 2016, Photo-Me entered into discussions with the Irish government to develop technology to enable the secure digital upload of ID photographs for

Online Passport Applications to a secure government server.

- In November 2016, a memorandum of understanding was signed with the Ministry of Foreign Affairs and Trade in the Republic of Ireland.
- In early 2017, Photo-Me trialled the system in 100 photoboos in Ireland.
- In March 2017, the Irish government launched its new Online Passport Application services, with ID photo requirement exclusively supported by Photo-Me's secure digital upload system.

## Overview

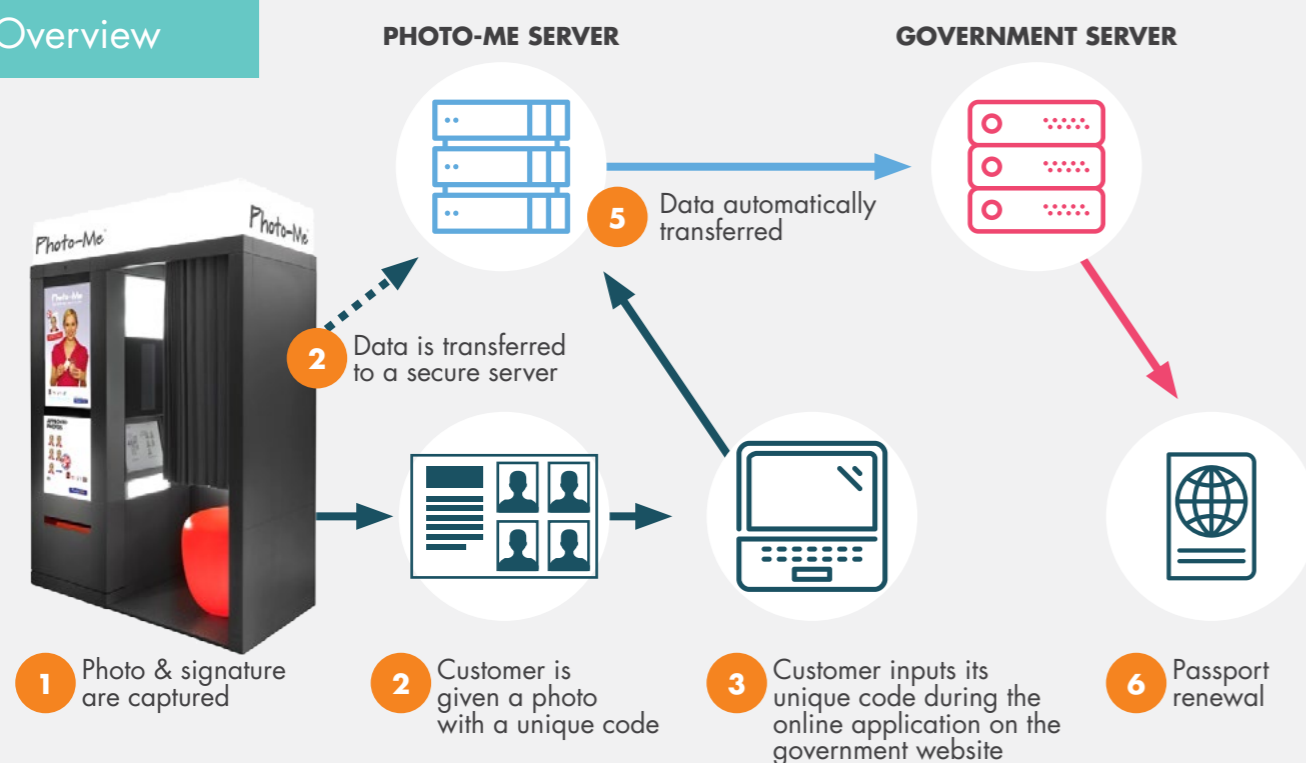


Photo-Me started upgrading 150 photoboos across Ireland, extending the rollout to 300 photoboos throughout Ireland by the end of 2017. The rollout is underway in partnership with Photo-Me's key partners in Ireland, including Topaz, SuperValu, Tesco, An Post and a number of shopping centres nationwide.

This technology provides customers with a convenient, easy-to-use and cost-effective system. Once the rollout is completed (expected by end of 2017), 98% of the population will live within 5km of a Photo-Me secure upload ID photobooth.

#### Other ID security solutions deployed to date:

##### INSTANT VERIFICATION IN CHINA

Developed an intelligent photobooth that securely collects ICAO-compliant photos, fingerprints and official documents for validation.

##### SECURE DATA COLLECTION IN GEORGIA

In partnership with Oberthur Technologies, we have implemented booths that transfer ICAO-compliant photos to the national civil registry sever.

##### DIGITAL COLLECTION IN GERMANY

Integrated a secure biometric data capture solution in our

photoboos to securely transfer ICAO-compliant photos and signatures. Fully certified by German authorities.

##### MY NUMBER IN JAPAN

Our photoboos can scan the unique QR code every Japanese citizen has received, to match photos to the My Number card application.

##### BIOMETRY IN SWITZERLAND

Public service buildings have been equipped with 380 enrolment stations to securely capture and transfer photos, fingerprints and signatures.

## Business Review continued

### REVIEW OF PERFORMANCE BY GEOGRAPHY

The commentaries on the financial performance of the business are set out below in line with the segments as operated by the Board and the management of Photo-Me and consistently with the information prepared to support the Board decision process. Although the Company organisation is not articulated around product lines, some commentary below relates to the performance of specific products in the relevant geographies

#### Key financials

The Group reports its financial performance based on three principal geographic areas of operation: Continental Europe, UK & Ireland, and Asia & the Rest of the World.

	Revenue Year to 30 April				Operating profit Year to 30 April			
	2017 £m	2017 <sup>1</sup> £m	2016 £m	Change %	2017 £m	2017 <sup>1</sup> £m	2016 £m	Change <sup>1</sup> %
<b>Continental Europe</b>	<b>111.7</b>	<b>97.6</b>	93.7	<b>+19.2%</b>	<b>33.9</b>	<b>29.6</b>	24.1	<b>+40.7%</b>
<b>UK &amp; Republic of Ireland</b>	<b>53.6</b>	<b>53.1</b>	45.8	<b>+17.0%</b>	<b>7.3</b>	<b>7.2</b>	8.0	<b>(8.8)%</b>
<b>Asia &amp; ROW</b>	<b>49.4</b>	<b>39.3</b>	44.5	<b>+11.0%</b>	<b>8.4</b>	<b>6.9</b>	10.7	<b>(21.5)%</b>
	<b>214.7</b>	<b>190.0</b>	184.0	<b>+16.7%</b>	<b>49.6</b>	<b>43.7</b>	42.8	<b>+15.9%</b>
<b>Corporate</b>					<b>(2.8)</b>	<b>(3.2)</b>	(3.1)	<b>(9.7)%</b>
	<b>214.7</b>	<b>190.0</b>	184.0	<b>+16.7%</b>	<b>46.8</b>	<b>40.5</b>	39.7	<b>+17.9%</b>

<sup>1</sup> 2017 trading results of overseas subsidiaries converted at 2016 exchange rates

#### Vending units in operation

The majority of the investment was allocated to expanding the laundry business, but, as we deployed 554 additional operated Revolution units and reached 50 opened laundry shops as at 30 April 2017, the Group has also rolled-out more than 800 of its new SpeedLab Cube and SpeedLab Bio by Starck digital photo printing kiosks and expanded our photobooth penetration in new locations in Asia.

	2017		2016		Change year on year
	No of units	% of total	No of units	% of total	
<b>Continental Europe</b>	<b>23,751</b>	<b>49%</b>	22,800	50%	<b>+4.2%</b>
<b>UK &amp; Republic of Ireland</b>	<b>13,287</b>	<b>28%</b>	12,500	28%	<b>+6.3%</b>
<b>Asia &amp; ROW</b>	<b>10,908</b>	<b>23%</b>	10,200	22%	<b>+6.9%</b>
	<b>47,946</b>	<b>100%</b>	45,500	100%	<b>+5.4%</b>

#### Laundry units

Total laundry revenue across the Group increased by 79% to £21.7m<sup>1</sup> (2016: £12.1m), reflecting our strategy to grow those operations. The revenue relating to our operated estate increased by 89% to £14.3m (2016: £7.6m) while the number of operated units increased by 58%.

	2017	2016	2015	Change
<b>Total laundry units</b>				
Deployed units (total)	<b>3,251<sup>2</sup></b>	2,148	1,084	<b>+51%</b>
Ave. takings per owned unit (€) <sup>3</sup>	<b>€16,586</b>	€15,382	€14,396	<b>+8%</b>

<sup>1</sup> Including Fowler revenue of £3.7m (2016: £1.5m)

<sup>2</sup> Including 915 (2016: 415) deployed in the UK & Republic of Ireland and 7 (2016: 1) deployed in Asia & ROW

<sup>3</sup> Average calculated only on machines in France, Ireland and Portugal with full month takings

Since the launch of the Revolution laundries in Ireland and Portugal in 2014, the laundry business has contributed to a complete transformation of our businesses in those countries. The laundry revenue grew in Portugal and Ireland, respectively by 565% and 701% between 2015 and 2017, representing now respectively 61% and 66% of the total revenue in each country. The profit before tax and excluding group fees increased respectively by 456% and 739% in Portugal and Ireland between 2014 and 2017.

## Business Review continued

### REVIEW OF PERFORMANCE BY GEOGRAPHY continued

#### Continental Europe

##### FINANCIAL PERFORMANCE

This division performed strongly in the period and is the largest contributor to the Group's results, representing 52% of total Group revenue (2016: 51%) and 72% of operating profit (2016: 61%).

The division operates in ten countries (Austria, Belgium, France, Germany, Italy, the Netherlands, Poland, Portugal, Spain and Switzerland), with France remaining the most important country in the region. We are now entering the Italian market, leveraging our relationships with existing site owners, and focusing on laundry and digital kiosks.

At the end of April 2017, 49% of the Group's estate was sited in Continental Europe compared with 50% in the prior year, with a total of 23,751 units in operation (2016: 22,800), an increase of 4.2%. The division mainly invested in laundry units and the new Philippe Starck designed digital photo printing kiosks.

Revenue at constant currency increased by 4.2%, driven by a 60% increase in the takings from our expanded laundry estate. Photobooth revenue contracted by 0.7%. Operating profit at constant currency increased by 22.8%, primarily driven by growth in the laundry division.

##### REVIEW OF OPERATIONS & STRATEGIC PROGRESS

###### Identification

Our focus has been to upgrade our photobooth estate in the region with new digital security features as well as payment system upgrades, in order to increase the use of electronic payments in photobooths and in our kiosks.

In France, we have invested to upgrade the vast majority of photobooths to enable the direct and secure transmission from our photobooths of a digitised e-photo and e-signature to the ANTS secure database for driving licence applications.

In Germany, our secure data capture and transfer technology is fully certified by the German authorities and we have started the progressive rollout of this technology.

In the first half of the year, the Company took the decision to implement price increases in its photobooths in the Netherlands (from €5 to €6) and Switzerland (from CHF 8 to CHF 10). Those price increases have been successfully completed.

###### Laundry

The expansion of the laundry business in Continental Europe has continued apace, primarily focused on France, Belgium and Portugal.

In Portugal, laundry operations now account for over 60% of the country's revenue contribution compared with 13% in FY 2015, reflecting a shift in our product mix as we accelerate the rollout of our laundry business.

During the year, 27 launderette shops were added to the estate. Results from these new sites have been solid and encouraging.

Production of the new compact Revolution machines commenced in March 2017 and we anticipate that these reduced footprint units will be more attractive to Far Eastern markets. The reduced planning requirements due to the unit size will also speed up deployment in our target markets.

###### Kiosks

In 2017, the number of digital printing kiosks in Continental Europe increased by 3%, primarily driven by the gradual rollout of the new SpeedLab Cube and SpeedLab Bio kiosks, designed by Philippe Starck. Specifically, Photo-Me started the deployment at Carrefour replacing Kodak units. So far, results have been encouraging.

We currently operate 20 dedicated MoneyGram kiosks and a further 80 transaction kiosks in France. The Group is in discussions with MoneyGram to extend this partnership into other geographies.

#### UK & Republic of Ireland (including Corporate)

##### FINANCIAL PERFORMANCE

This division contributed 25% of Group revenue for the year (2016: 25%), and 10% of operating profit (2016: 12%).

At the end of April 2017, 28% of the Group's estate was sited in this region, compared with 28% in the prior year. There were 13,287 units in total (2016: 12,500), of which 6,600 were photobooths (2016: 6,600). We increased the number of digital kiosks to 992 at the end of April 2017 from 255 in the previous year after introducing the SpeedLab Cube by Starck at Morrisons and Asda. The laundry estate increased by 57% to 499 operated laundry units in the UK and Ireland.

Revenues increased by 17.0% compared with the previous year (up 15.9% at constant rate of exchange), driven by a 102% increase in sales from our laundry business.

Operating profit in this division declined by 8.2% as a result of start-up costs associated with the newly formed Photo-Me Retail business (the acquired UK Photo Division of Asda Stores Limited). This contributed to a £1.8m loss in the reported accounting period, compounded by increased depreciation following investment in our operated laundry and kiosk estates.

Fowler UK, the Group's commercial laundry and catering equipment business, made a full-year contribution of £0.7m to the Group's profit before tax, while the UK operations excluding laundry contributed 5% of the Group's profit before tax.

##### REVIEW OF OPERATIONS & STRATEGIC PROGRESS

###### Identification

In March 2017, the Group launched the rollout of its encrypted photo ID technology across Ireland in partnership with the Irish government. This agreement, which leverages the secure digital transfer technology developed for the French government, provides customers with a convenient, easy to use and cost effective system for the digital transfer of ID photos as part of the Online Passport Application service.

Photo-Me Ireland is the first company licenced by Ireland's Department of Foreign Affairs & Trade to capture and transfer digital photos as part of the new online passport renewal system. The photobooths are being rolled out with premier partners Topaz, SuperValu, Tesco and An Post, as well as a number of shopping centres nationwide. Upon completion of the rollout, which is expected by the end of 2017, 98% of the population of the Republic of Ireland will live within 5km of a Photo-Me secure upload ID photobooth. In order to maximise the increased volume opportunity, the electronic photo is priced at €8, compared to €5 for the traditional paper format.

During the year, a price increase from £5 to £6 has been successfully implemented in the London area.

## Business Review continued

### REVIEW OF PERFORMANCE BY GEOGRAPHY continued

#### Laundry

The Group has now started actively deploying Revolution laundry units at suitable sites in the UK, with 70 units deployed during the year in petrol station forecourts, and other high footfall locations.

###### Kiosks

On 31 October 2016, the Group completed the acquisition of the UK photo division of Asda Stores Limited. The addition of 363 sites previously managed by Asda, 191 photo centres and 172 self-service corners, has extended our presence in the UK market. The reconfiguration of layouts and equipment upgrades which are being implemented as well as ongoing operational measures are expected to restore the profitability of the business in the short term and progressively expand profitability going forward.

In addition to the printing kiosks sited at the Asda locations, the Group has sited over 120 SpeedLab Cube by Starck kiosks at Morrisons stores.

#### Asia & Rest of the World

##### FINANCIAL PERFORMANCE

Asia and the Rest of the World contributed 23% of Group revenue (2016: 24%) and 18% of operating profit (2016: 27%). The Group operates in six countries (China, Japan, Singapore, South Korea, USA and Vietnam), with Japan remaining the largest business in the region.

At the end of April 2017, 23% of the Group's estate was sited in Asia and the Rest of the World (2016: 22%). In total, there were 10,908 units (2016: 10,200), of which 9,279 (2016: 8,600) were photobooths.

Revenues in Asia and the Rest of the World increased by 11%, benefiting from positive currency variances. At constant currency, revenues from the Asia & Rest of the World division decreased by 11.7%. While revenues in China and Korea increased respectively by 28.4% and 45.3%, those incremental gains were not sufficient to compensate for lower volumes in Japan following the Japanese government's decision not to enforce the My Number card scheme immediately.

##### REVIEW OF OPERATIONS & STRATEGIC PROGRESS

Japan is the largest territory in the region. As previously announced, contributions from the government's My Number ID card programme were lower than initially expected. Whilst our photobooths are equipped to scan the unique QR code every Japanese citizen has received, and match the ID photos to the My Number Card application, the ID cards are not mandatory and adoption by citizens has not been as rapid as the government had anticipated. The new card is expected to become compulsory in the medium term (2020/2021).

The group successfully opened its first launderette shop in Japan, starting the penetration of what is believed to be one of the largest markets in the world for launderettes.

## Business Review continued

### KEY PERFORMANCE INDICATORS

The Group measures its performance using a mixture of financial and non-financial indicators. The main objective of these KPIs is to ensure the Group remains highly cash generative, delivers sustained long-term profitability, preserves the value of its assets and provides high returns to shareholders.

Description	Relevance	Performance	
		April 2017	April 2016
Group total revenue at actual rate of exchange		£214.7m	£184.0m
Group total revenue excluding minilab business at constant rate of exchange	The turnover at constant rate of exchange excluding minilabs indicates the underlying growth of the core business (for historical comparatives purposes, all converted at April 2012 rates)	£200.5m	£195.9m
Group profit before tax		£48.0m	£40.1m
EBITDA margin	The EBITDA margin is a good indicator of improved profitability	32.2%	30.8%
Gross takings (including VAT)	Gross takings are an important indicator of the trend in our core vending business	+4.8%	+3.7%
Increase in number of photobooths	The increase in number of photobooths is a constant priority and a main driver for growth	+887	+611
Increase in number of laundry units (operated or sold)	The increase in number of laundry units measures our penetration in markets where there is a significant potential for growth and strong profits	+1,103	+1,064

## Business Review continued

### OUR TEAM

These excellent results are testament to the strength of our teams across the business. Our Group structure reflects the entrepreneurial and creative nature of Photo-Me and is aligned to our business strategy. We have a team of more than 60 R&D engineers within the business focused on innovation and new product development to support our future growth. Led by our Head of New Product Development, the majority of this team is located at our largest innovation facility in France with the remainder working at our R&D centres in China, Vietnam and Japan.

Eric Mergui, COO, is responsible for operations, driving profitability and new business development, supported by our Country Managers and Global Business Development and Marketing Team. Gabriel Pirona, CFO, is responsible for our finance function.

We are committed to nurturing talent within our teams and developing the next generation of leaders. I would like to take this opportunity to thank everyone who has worked for the Group during the year and contributed to our success.

### FUTURE PROSPECTS

Looking ahead, the Group will remain focused on driving profitability from our existing estate and investing in new and complementary products to extend the suite of services available through our established instant-service equipment network. Subject to the macroeconomic environment and consumer disposable income, the Board anticipates another year of consistent underlying progress.

**Serge Crasnianski**  
Chief Executive Officer & Deputy Chairman

27 June 2017

## Financial Review

### Financial Performance

The Group delivered a strong financial performance as illustrated by the significant increase in profits.

Reported revenue increased by 16.7% to £214.7m as a result of the consistent, sustained expansion of our laundry business in Europe, the rollout of new digital photo printing kiosk models designed by Philippe Starck, and the positive impact of currency movements.

	April 2017 £m	April 2016 £m
Revenue	<b>214.7</b>	184.0
EBITDA	<b>69.2</b>	56.7
Operating profit	<b>46.8</b>	39.7
Profit before tax	<b>48.0</b>	40.1
Profit after tax	<b>35.1</b>	29.2

The movements in turnover are outlined in the following table:

	£m
Turnover April 2016	184.0
Change in core business revenue	
Continental Europe	+3.9
UK & Ireland	+7.3
Asia	(5.2)
Impact of exchange rates	<b>+24.7</b>
Turnover April 2017	214.7

The increase in the profit before tax (PBT) can be explained as follows:

	£m
PBT - April 2016	40.1
Changes in revenue	+6.0
Changes in costs	(5.2)
Increase in net finance income	+0.9
Impact of exchange rates	+6.2
PBT - April 2017	<b>48.0</b>

## Financial Review continued

### Review of operating costs

Operating costs amounted to £167.8m (2016: £144.3m).

Staff costs amounting to £50.1m increased by £9.2m compared with the previous year and represented 23.3% of revenue (2016: 22.2%). Excluding the impact of foreign exchange headwinds (£5.2m) and the increase linked to Photo-Me (Retail) Limited operations (digital photo operations acquired from Asda), the modest increase in salaries is in line with salary inflation across the Group.

The increase in inventory costs is the direct result of foreign exchange headwinds. As a percentage of sales, inventory costs decreased to 6.3% for the year ended 30 April 2017 from 8.2% in the previous year.

The depreciation and amortisation charge at constant rate of exchange increased by £3.5m compared to the same period last year, as a result of increased investment in our estate and depreciation of goodwill and other intangibles arising from the acquisitions of Fowler UK.com Limited and the UK photo division of Asda Stores Limited.

At constant rate of exchange, and the other operating costs increased at a lower rate than revenues, benefiting from positive exchange gains booked in 2017.

	April 2017 £m	April 2016 £m
Staff costs	<b>50.1</b>	40.9
Inventory costs	<b>13.5</b>	11.5
Other operating costs	<b>82.7</b>	75.2
	<b>146.3</b>	127.6
Depreciation and amortization	<b>22.4</b>	16.9
Profit / (loss) on disposal of fixed assets	<b>(0.9)</b>	(0.2)
<b>Operating costs</b>	<b>167.8</b>	144.3

### Taxation

The Group tax charge of £12.9m corresponds to an effective tax rate of 26.9% (2016: 27.2%).

The Group undertakes business in 18 countries worldwide, with most of the tax charge arising in France, Japan and the United Kingdom. In each jurisdiction in which the Group operates, operations are organised so that the Group pays the correct and appropriate amount of tax at the right time in accordance with local regulations, and ensures compliance with the Group's tax policy and guidelines.

### Dividends

During the year, the Group paid dividends totalling £32.6m in respect of the interim, final and special dividends for the year ended 30 April 2016.

The interim dividend for the year ended 30 April 2017 (3.09p per share), announced in December 2016, was paid in May 2017 and amounted to £11.6m.

### Statement of Financial position

The Group balance sheet can be summarised as follows:

	April 2017 £m	April 2016 £m
Non-current assets (excl. deposits)	<b>108.7</b>	84.5
Current assets (excl. cash and deposits)	<b>38.3</b>	32.4
Non-current liabilities (excl. borrowings)	<b>(10.9)</b>	(8.4)
Current liabilities (excl. borrowings)	<b>(46.0)</b>	(48.2)
Net cash	<b>39.2</b>	62.4
Total equity	<b>129.3</b>	122.7
Minority interests	<b>(1.3)</b>	(1.1)
Total shareholders' funds	<b>128.0</b>	121.6

## Financial Review continued

Following the payment of dividends of £32.6m, shareholders' funds at 30 April 2017 amounted to £128.0m, an increase of £6.4m compared with the previous year end.

Non-current assets detailed are outlined in the following table:

	April 2017 £m	April 2016 £m
Goodwill	11.8	11.6
R&D costs	5.7	4.7
Other intangible assets	7.8	4.0
Operating equipment	66.6	49.8
Plant and machinery	6.8	5.1
Land and buildings	1.6	1.3
Investment property	0.7	0.6
	<b>101.0</b>	77.1
Investments	2.1	1.7
Deferred tax assets	3.6	4.2
Trade and other receivables	2.0	1.5
Total non-current assets (excl. deposits)	<b>108.7</b>	84.5

Goodwill mainly relates to the Japanese subsidiary. The movement in the year mostly corresponds to the impact of foreign currency translations.

The increase in other intangible assets mainly relates to the acquisition of the UK photo division of Asda Stores Limited.

With a net book value of £66.6m, operating equipment constitutes the main component of the Group's total non-current assets. The Group owns some 47,946 machines operated worldwide. The change in net book value reflects the Group's capital expenditure of £33.8m net of depreciation and exchange rate differences amounting to £12.3m.

### Cash flow and net cash position

	April 2017 £m	April 2016 £m
Opening net cash	62.4	60.7
Cash generated from operations	61.3	51.4
Taxation	(12.0)	(10.8)
Net cash generated from operations	49.3	40.6
Net cash used in investing activities	(40.9)	(24.8)
Dividends paid and other financing activities	(32.9)	(17.8)
Net cash utilised	(24.5)	(2.0)
Impact of exchange rates	1.3	3.7
Net cash inflow	(23.2)	1.7
Closing net cash	<b>39.2</b>	62.4

## Financial Review continued

The increase in EBITDA, coupled with optimised working capital management, mitigated the impact of increased tax payments and resulting in an increase in net cash generated from operations to £49.0m (2016: £40.6m).

Cash generated remained substantial and enabled the Group to finance its capital expenditure programme and pay out to shareholder dividends of £32.6m.

Outstanding debt of £10.7m (2016: £10.8m) was deducted from the closing net cash balance at 30 April 2017.

Total cash and cash equivalents at 30 April 2017 amounted to £47.5m (2016: £71.0m).

At the end of April 2017, the Group's net cash position, amounting to £39.2m (2016: £62.4m), could be split as follows:

	Cash and deposits £m	Borrowings £m	Net cash £m
Balance at 30 April 2016	73.2	(10.8)	62.4
Cash flow	(25.5)	1.1	(24.4)
Non-cash movements	2.1	(0.9)	1.2
<b>Balance at 30 April 2017</b>	<b>49.8</b>	<b>(10.6)</b>	<b>39.2</b>

## Principal Risks

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

The table below sets out what the Board believes to be the principal risks and uncertainties, their impact, and actions taken to mitigate them.

Nature of the risk	Description and impact	Mitigation
<b>Economic</b>		
Global economic conditions	Economic growth has a major influence on consumer spending. A sustained period of economic recession could lead to a decrease in consumer expenditure in discretionary areas.	The Group focuses on maintaining the characteristics and affordability of its needs driven and regulatory products.
Volatility of foreign exchange rates	The majority of the Group's revenue and profit is generated outside the UK, and the Group results could be adversely impacted by an increase in the value of sterling relative to those currencies.	The Group naturally hedges its exposure to currency fluctuations on transactions, as relevant. However, by its nature, in the Board's opinion, it is very difficult to hedge against currency fluctuation arising from translation in consolidation in a cost effective manner.
<b>Regulations</b>		
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 or widen the acceptance of self-made or home-made photographs for official document applications, the Group's revenues and profits could be seriously affected.	The Group has developed new systems that respond to this situation, leveraging 3D technology in ID security standards, and securely linking our booths to the administration repositories (solutions in place in France, Ireland, Germany and Switzerland, discussions in the UK, Belgium and Holland).  Furthermore, the Group also ensures that its ID products remain affordable and of high quality.  In the UK, the Group is lobbying both alone and in tandem with its trade association to propose a solution similar to the ANTS system in France which sends photos electronically, maintaining the integrity of the photos, compliance with ICAO standards and, in the Board's opinion, posing less threat to national security.
Brexit	The UK's referendum decision to leave the EU ("Brexit") will most probably lead to changes in regulations in the UK as well as modifications of numerous arrangements between the UK and other members of the EEC, affecting trade and customs conditions, taxation, movements of resources, etc.	The Board is keeping the potential impacts of the referendum decision to leave the EU on all the Group's operations under review.  Any potential developments, including new information and policy indications from the UK government and the EU, will be looked at carefully on a continual basis with a view to enhancing the ability to take appropriate action targeted at managing and where possible minimising any adverse repercussions of Brexit.  The specific impact of Brexit on the Group will depend on the details of the conditions of the breakup to be negotiated between the UK and the European Union.  The Board foresees however that, while in the short term the negative impact of the uncertainty overshadowing the general UK economy could also overspill on the Group's UK operations, in the long term, potential 're-nationalisation' of UK identity documents (including the conversion of the EU burgundy passports to the navy blue British version), as well as strengthened immigration regulations, could lead to increased requests for the Group's secure identification products.
Business rates	Since early 2015, the Valuation Office Authority has been issuing significantly increased assessments for some of the Company's estate, mainly photobooths and printing kiosks, and in some instances applying rates that the Company considers unreasonable. The census campaign led by the Government is part of the well-publicised strategy to systematically increase the amount of tax collected through business rates. The business tax risk is limited to the Company's operations in the UK, and the cost of the tax charge has been fully expensed in the relevant periods.	The Company has engaged advisers to reduce its exposure to business rates. The Company has received advice that the vast majority of the affected estate may not be subject to business rates, and therefore it is systematically appealing before the Valuation Tribunal the assessments received while negotiating with the authorities to reduce that exposure. The Company believes that following the latest decision by the Upper Tribunal on 12 April 2017 in the ATM case, the risk may be capable of successful mitigation.

## Principal Risks continued

Nature of the risk	Description and impact	Mitigation
<b>Strategic</b>		
Identification of new business opportunities	Failure to identify new business areas may impact the ability of the Group to grow in the long term.	Management teams constantly review demand in existing markets and potential new opportunities. The Group continues to invest in research into new products and technologies.
Inability to deliver anticipated benefits from the launch of new products	The realisation of long-term anticipated benefits depends mainly upon the continued growth of the laundry business and the successful development of integrated secure ID solutions.	The Group regularly monitors the performance of its entire estate of machines. New technology enabled secure ID solutions are heavily trialled before launch and the performance of operating machines is monitored consistently.
<b>Market</b>		
Commercial relationships	The Group has well-established long-term relationships with a number of site-owners. The deterioration in the relationship with, or ultimately the loss of, a key account would have an adverse albeit contained impact on the Group's results, bearing in mind that the Group's turnover is spread over a large client base and none of the accounts represent more than 1% of Group turnover.	The Group's major key relationships are supported by medium-term contracts. We actively manage our site-owner relationships at all levels to ensure a high quality of service.
<b>Operational</b>		
Reliance on foreign manufacturers	The Group sources most of its products from outside the UK. Consequently, the Group is subject to risks associated with international trade.	Extensive research is conducted into quality and ethics before the Group procures products from any new country or supplier. The Group also maintains very close relationships with both its suppliers and shippers to ensure that risks of disruption to production and supply are managed appropriately.
Reliance on one single supplier of consumables	The Group currently buys all its paper for photobooths from one single supplier. The failure of this supplier could have a significant adverse impact on paper procurement.	The Board has decided to hold a strategic stock of paper, allowing for 6 to 10 months' worth of paper consumption, to allow enough time to put in place alternative solutions.
Reputation	The Group's brands are key assets of the business. Failure to protect the Group's reputation and brands could lead to a loss of trust and confidence. This could result in a decline in the customer base.	The protection of the Group's brands in its core markets is sustained by products with certain unique features. The appearance of the machine is subject to high maintenance standards. Furthermore, the reputational risk is diluted as the Group also operates under a range of brands.
Product and service quality	The Board recognises that the quality and safety of both its products and services is of critical importance and that any major failure will affect consumer confidence.	The Group continues to invest in its existing estate to ensure that it remains contemporary, and in constant product innovation to meet customer needs. The Group also has a programme in place to regularly train its technicians.
<b>Technological</b>		
Failure to keep up with advances in technology	The Group operates in fields where upgrades to new technologies are mission critical, particularly in relation to photography.	The Group mitigates this risk by continually focusing on R&D.
Cyber risk: third party attack on our secure ID data transfer feeds	The Group operates an increasing number of photobooths capturing ID data and transferring it directly to governmental databases.	The Group performs an ongoing assessment of the risks and ensures that the infrastructure meets the security requirements.

Information on (i) employees (including information on the gender diversity make-up of the Group's employees), (ii) social and community matters, and (iii) environmental issues is provided in the Corporate Social Responsibility Statement. The Board does not consider it necessary for an understanding of the development, performance or position of the Group's business to include any further details on these issues in this Strategic Report.

By order of the Board

**Del Mansi**  
Company Secretary

27 June 2017

## Corporate Responsibility Statement

### Our approach to corporate responsibility

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

We believe that effective management of corporate responsibility can reduce risks and help us identify business opportunities. We prioritise our corporate responsibility activities based on three main drivers:

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

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

### How we manage corporate responsibility

The Board is ultimately accountable for corporate responsibility. The Chief Executive Officer 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 laws, preferences and cultures. As a result, operational direction and management of corporate responsibility lie primarily with national business managers, who are best placed to ensure compliance with national legislation and market expectations.

The Group's internal audit programme operates 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, 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 increased customer expectations, including environmental, health and safety and accessibility issues.

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

In consideration of global concerns regarding the disposal of waste and increasing metal prices and landfill costs, we have focused more attention on the re-use and recycling of our retired products. Currently, more than 90% by weight of the materials used in our photoboos, mostly steel and other metals, is recycled at the end of their product lifecycle. In light of our concerns regarding increased energy costs and man-made impact on climate change, we have 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 to us. This drives a continual review of our products and the development of solutions to meet these needs. For example, we have improved services offered to customers with disabilities, and complied

with the Equality Act 2010 by introducing on-screen instructions within our photoboos for hard-of-hearing customers, and voice instructions and carefully selected screen colours and font sizes for customers with visual impairments. In addition, the development of the universal photobooth enables access for wheelchair users.

### Employees

#### EMPLOYEE COMMUNICATION, ENGAGEMENT AND INVOLVEMENT

The Company's employees are a valued integral part of the business and the Company's ability to achieve success in key business objectives. As such, it is the Company's policy to provide colleagues with appropriate financial and other information about the business to encourage employee engagement, and to enthuse and inspire its workforce through a network of media such as:

- business networking tools to encourage synergies among colleagues and businesses, sharing ideas and best practices
- internal notification of vacancies and policy updates; and
- monthly operational meetings for business leaders across the Group to engage with colleagues, providing business and local updates. Encourage interactive feedback to ensure business leaders are kept informed of the Group's performance and of the financial and economic factors affecting Company and Group performance.

While it has adopted a decentralised Group management approach, the Company nurtures a common culture among its workforce throughout the entire Group through openness, honesty and the pursuit of a universal goal that focuses on core corporate values.

We do everything in our power to support and protect human rights. As a responsible company with operations across the world, we believe that strong ethics and good business go hand in hand. We commit to complying with the laws and regulations of the countries and jurisdictions in which we operate.

#### EQUAL OPPORTUNITIES AND DIVERSITY

The Company is an equal opportunities employer and is committed to ensuring equal career opportunities for all its employees without discrimination, and pursuing fair and equitable policies and procedures for recruitment, training and development. Full consideration is accorded to all applications from persons with disabilities, with due regard to their aptitudes and abilities.

The Company ensures that, wherever possible, employees who develop a disability during their engagement can continue their employment through a supportive mechanism of retraining, redeployment and reasonable adjustments where practicable, enabling them to remain within the Group. Opportunities for training, career development and progression into and within the Group do not operate to the detriment of persons with disabilities.

#### GENDER DIVERSITY

The table below shows the gender diversity of the Group's employees at 30 April 2017 with corresponding figures for the previous year:

## Corporate Responsibility Statement continued

### As at 30 April 2017

	Total	Male	Female
The Board of Photo-Me	6	5	1
Senior managers in the Group (excluding directors of Photo-Me)	18	16 (88.88%)	2 (11.12%)
Employees (excluding above)	1,696	1,132 (66.75%)	564 (33.25%)
<b>Total</b>	<b>1,720</b>	<b>1,153 (67%)</b>	<b>567 (33%)</b>

### As at 30 April 2016

	Total	Male	Female
The Board of Photo-Me	6	5	1
Senior managers in the Group (excluding directors of Photo-Me)	17	16 (94%)	1 (6%)
Employees (excluding above)	1,123	932 (83%)	191 (17%)
<b>Total</b>	<b>1,146</b>	<b>953 (83%)</b>	<b>193 (17%)</b>

#### HEALTH AND SAFETY

We are committed to ensuring that customers, site owners and employees are free from risk from 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. Our 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 can raise any safety concerns directly through our call centres, which immediately inform management and direct an operative to the site within 24 hours.

New products from external suppliers are assessed to ensure that they meet relevant safety standards before being launched in the market. We work with our suppliers where appropriate, sharing the benefit of our many years' experience of developing products to the highest standard of safety.

Photobooth security is managed by a multipoint locking system with either one or two security padlocks depending on the model. Our photoboos meet current electrical standards through a declaration of conformity (DOC) and Conformité Européene (CE) marking confirming Restriction of Hazardous Substances (RoHS2) product compliance. Our experienced engineers also test equipment regularly to ensure it meets both Portable Appliance Testing (PAT) and Amusement Device Inspection Procedures Scheme (ADIPS) standards.

Children's rides manufactured by Jolly Roger (Amusement Rides) Limited, a Group subsidiary company in the UK, are produced in accordance with industry guidance issued by the British Amusement and Catering Trades Association (BACTA) and conform to CE marking confirming RoHS2 product compliance. 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 ADIPS Scheme administered by BACTA and enables its qualified operatives to inspect children's rides and issue the required safety certification.

Within the UK, the general manager fully supports the health and safety policy and ensures there is provision on the agenda of regular senior executive meetings to address health and safety matters. Policies and procedures developed over the years continue to be reviewed and adjusted as part of the process of continual improvement and keeping pace with legislative advances. To achieve the standard of health and safety performance to which the Company aspires, we believe that it is important to empower individuals at all levels and equip them with the tools and skills they require by providing relevant training and information. The Company continues to improve its employee-induction process and has introduced an alternative online training system supplied by Essential Skillz in 2014 to teach and refresh employee skills as required. That database showed over 4,000 training sessions and 70% compliance with the training plan.

The Company continues to maintain its membership of the British Safety Council and is also a member of the CE Marking Association. In addition to demonstrating our commitment to best safety and environmental practice and consistent improvement, these ongoing partnerships enable us to access expert advice and quality training resources to assist us in achieving these goals.

In the UK, the Company is accredited under two safe contractor schemes, one managed by Alcumus and the other by Altius, and has also received an assured Vendor award. This accreditation is reviewed annually and requires all Health and Safety policies and procedures to be audited by the scheme.

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

#### ENVIRONMENT

The Company recognises its responsibility towards the environment and the impact of its business activities. The main risks to the business in this area arise from increased legislation and the rising cost of waste disposal. The Company has mitigated its exposure to these risks by:

- consistently reducing, in previous years, the amount of waste produced. However, during the current year, our UK operations have seen an increase in packaging waste due to the acquisition of the ASDA Photo Centre business, now managed by Photo-Me (Retail) Ltd.;
- the recovery, refurbishment and resale of electrical equipment such as children's rides which promote the principle embodied in recent legislation of reuse before recycling. This not only generates cost savings but also creates a source of income.

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) photoboos during closing hours which saves approximately 30% of power consumption on site;
- the use of remote telemetry systems to minimise the number of service visits and reduce wastage of consumables;
- the substitution of old-technology lighting with new low-energy lamps in all photoboos. The new Photobooth by Starck uses the latest LED lighting which also eliminates the hazardous waste associated with fluorescent tubes; and
- the replacement of most old CRT monitors with new flat-screen technology which is more energy-efficient and eliminates 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 for natural resources are reduced wherever possible. In addition to the examples highlighted above, the Company operates a green fleet policy which specifies that vehicles are sourced according to practicality and environmental impact as defined in terms of CO<sub>2</sub> emissions. We have achieved the target set last year of further reducing vehicle CO<sub>2</sub> ratings by 4.22%, to a total of 26% compared with the 2008 fleet therefore a 7% reduction over the previous year, which has saved another 56.6 tonnes of CO<sub>2</sub> from entering the atmosphere in 2016. This is supported by the Company's Road Risk Policy which assists in reducing fuel consumed as well as an overall reduction in the number of miles driven.

Greenhouse gas (GHG) emissions

REPORTING OF GHG EMISSIONS

As of 1 October 2013, all quoted companies must report GHG emissions in their annual report as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

In accordance with the disclosure requirements for listed companies, the table below shows the Group's greenhouse gas emissions for the current and preceding financial year.

The Group is required to report the emissions it is responsible for (as defined below), and to provide at least one 'intensity ratio' together with an explanation of methodology used.

In the table below, the Group has not reported fugitive emissions (which include leakages from refrigerants used in air conditioning units, etc.) because no data were available and, given the low number of such units in the Group, management did not consider such emissions to be material.

	Year ended 30 April 2017 Tonnes of CO <sub>2</sub> e	Year ended 30 April 2016 Tonnes of CO <sub>2</sub> e
Emissions from		
Scope 1	<b>4,339.07</b>	4,372.99
Scope 1 – travel costs	<b>3,885.42</b>	3,882.59
Scope 1 – gas	<b>453.65</b>	490.40
Scope 2	<b>18,701.05</b>	18,324.59
Scope 2 – operating estate	<b>18,220.11</b>	17,789.42
Scope 2 – electricity, heat, steam or cooling	<b>480.94</b>	535.17
Total emissions	<b>23,040.12</b>	22,697.58
Intensity ratio		
Per number of units of operating equipment	<b>0.4943</b>	0.4986

ASSESSMENT PARAMETERS

Consolidation approach	The above figures are based on subsidiary companies owned by Photo-Me, except for those non-material subsidiary companies (mainly new start-up ventures) whose vending estate comprises less than 50 machines.  For those investments where the Group has less than 50% of the issued share capital, the Group does not have operational control for day-to-day activities and these entities are not included in the above figures.
Boundary summary	The Group has included vending estates which are owned by the Group even though it does not directly control the operational use (i.e. period of operation) for these assets.
Emission factor source	Department of Business, Energy & Industrial Strategy, 2016 GHG Conversion Factors for Company Report (2016: DEFRA 2014).
Methodology	Photo-Me followed the Greenhouse Gas Protocol Corporate Standard.
Materiality threshold	As mentioned above, subsidiary companies with less than 50 units of operating equipment have been excluded, as have depots and other property units where the total amount spent on heating, lighting and power is less than £50,000 per annum per site.
Intensity ratio	As explained below.

SCOPE 1 EMISSIONS

The main components of these emissions are:

- Emissions from motor vehicles operated by the Group, including service and installation personnel (servicing and maintaining the operational estate etc.) and administrative staff.
- Natural gas consumption on the Group's premises.

SCOPE 2 EMISSIONS

The main components of these emissions are:

- Purchased electricity for use on the Group's premises. This is mainly for heating and lighting. The Group's property estate largely consists of administrative offices and storage depots. Most manufacturing of vending equipment and products are outsourced to third parties. In those instances, emissions are controlled by third parties.
- Emissions from vending equipment.

The Group's chosen intensity ratio for external reporting is calculated by dividing total emissions by the average number of units of operating equipment during the year for the reporting companies.

Viability Statement

The directors have assessed the viability and prospects of the Group in accordance with the requirements of the 2014 revision of the UK Corporate Governance Code. In doing so, the directors have considered and taken into account the Group's present position and the principal risks facing it, the latter being set out in the Strategic Report. The directors have carried out their assessment by: (i) considering the potential repercussions of those principal risks at least annually as well as the risk impact of each major event or transaction; (ii) examining the effectiveness of the actions taken to mitigate the principal risks; (iii) continually reviewing strategy and market developments through regular executive briefings; and (iv) taking into account the Group's operational processes and financial resources. Based on this robust assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over a three-year period to June 2020.

The directors decided that a three-year period is appropriate for this assessment because it enables a good level of confidence due to a number of factors including: (i) the Group's considerable financial resources including the high

cash generation of its operations; (ii) the inherent unlikelihood of all or even most of the identified potential principal risks materialising simultaneously; (iii) the length of major operating contracts; (iv) the Group's diverse geographical operations plus its established business relationships with many customers and suppliers in countries throughout the world; and (v) its proven track record in R&D development and its ability to adapt to market trends.

The directors have no reason to believe the Group will not be viable over a longer period, however, given the inherent uncertainty involved in looking at longer time frames, the period over which the directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is three years.

By order of the Board

**Del Mansi**  
Company Secretary

27 June 2017





# OUR TECHNOLOGY

technological:  
**INTEGRATION**

## Board of Directors and Company Secretary



**John Lewis OBE**  
Non-executive Chairman

Joined the Board in 2008 and appointed Chairman in 2010. Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees. Currently a consultant to Eversheds Sutherland LLP (as now is) 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 & Co which became part of Eversheds Sutherland LLP (as now is) 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.



**Serge Crasnianski**  
Chief Executive Officer & Deputy Chairman

Appointed to the Board in 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.



**Emmanuel Olympitis**  
Non-executive Director

Appointed to the Board in 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), Canel 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.



**Françoise Coutaz-Replan**  
Non-executive Director

Appointed to the Board in 2009. Retired from her executive role as Group Finance Director on 27 August 2015, continuing as a Non-executive Director. Joined KIS in 1991. Appointed to the Audit Committee on 20 October 2016.



**Jean-Marcel Denis**  
Non-executive Director

Appointed to the Board in 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 Associés (ACA) and sold his interest in ACA in 2005. Subsequently a consultant in Finance & Conseils Associés, which specialises in business valuations.



**Yitzhak Apeloig**  
Non-executive Director

Appointed to the Board in 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 and Atreyu Capital Markets Ltd (all quoted on the Israeli Tel Aviv Stock Exchange). Chairman or Director of a number of other private companies. Previously Executive Chairman of Telit Communications plc, having led its flotation on the London AIM market in 2005. Appointed to the Audit Committee on 20 October 2016.



**Del Mansi**  
Company Secretary

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

## Report of Directors

The directors submit to the shareholders their report, the audited consolidated financial statements of the Group, and such audited financial statements of Photo-Me International plc as required by law for the year ended 30 April 2017.

The Corporate Governance Statement and the Corporate Responsibility Statement should be read as forming part of this report. In this document, references to "The Group", "The Company", "we", or "our", refer to Photo-Me International plc, its subsidiary companies and, where applicable, its associated undertakings, or any of them as the context may require.

### Principal activities

The principal activities of the Group continue to be the operation, sale and servicing of a wide range of instant-service equipment. The Group operates coin-operated automatic photobooths for identification and fun purposes, and a diverse range of vending equipment, including digital photo kiosks, amusement machines, business service equipment and laundry machines.

The Company's subsidiary and associated undertakings are shown on pages 120 to 121.

### Results and dividends

The results for the year are set out in the Group Statement of Comprehensive Income on page 61.

The directors recommend a final dividend of 3.94p per ordinary share which, if approved at the Annual General Meeting (AGM) on 25 October 2017, will be paid on 10 November 2017 to shareholders listed on the register at the close of business on 13 October 2017. The ex-dividend date will be 12 October 2017. This, together with the interim dividend of 3.09p per ordinary share paid on 11 May 2017, makes a total dividend for the year of 7.03p per ordinary share.

### Review of business and future developments

The Strategic Report describes the activities of the business during the financial year, recent events (including any important events affecting the Group which have occurred since the financial year end), and gives an indication of likely future developments in the Group's business. A discussion of the key risks facing the Group and an analysis of key performance indicators are also provided in the Strategic Report. The Strategic Report also contains the Board's Long-term Viability Statement.

### Research and developments

The Group is committed to its research and development programme to maintain its introduction of innovative products to the market. The expenditure incurred on the development of new products is shown in notes 4 and 11 to the financial statements.

### Employees

Information on the Company's employment practices including its policy regarding applications for employment by persons with disabilities, for the continuing employment of employees who have developed disabilities, and the training, career development and promotion of persons with disabilities employed by the Company, as well as employee communication and involvement, is contained within the Corporate Responsibility Statement on pages 28 to 31 forming part of this report.

### Corporate responsibility

A summary of the Company's approach to corporate social responsibility and environmental matters, including a report on the Group's greenhouse gas emissions for the financial year ended 30 April 2017, can be found in the Corporate Responsibility Statement on pages 28 to 31.

### Board of directors and their interests

The current directors of the Company are: John Lewis (Chairman, member of the Audit and Remuneration Committees, and Chairman of the Nomination Committee); Serge Crasnianski (Chief Executive Officer and Deputy Chairman); Emmanuel Olympitis (Senior Independent Non-executive Director, Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees); Françoise Coutaz-Replan (Non-executive Director and a member of the Audit Committee); Jean-Marcel Denis (Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees); and Yitzhak Apeloig (Non-executive Director and member of the Audit Committee). Further details, together with a brief biography of each director, can be found on page 34. All directors served on the Board throughout the year under review.

In addition to the powers conferred on the directors by law, the Company's Articles of Association also set out powers of the directors; under these powers, the directors may, subject to any statutory provision requiring prior shareholder approval, exercise all powers of the Company to borrow money, issue shares, appoint and remove directors and recommend dividends and pay interim dividends. A copy of the Articles of Association can be found on the Company's website.

The director retiring by rotation and being put forward for re-appointment at the AGM this year is Mr John Lewis.

Details of the directors' contracts, emoluments and interests in shares and share options are given in the Remuneration Report on pages 42 to 52.

### Directors' and officers' liability insurance

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

Article 191 of the Company's Articles of Association allows the indemnification of directors of the Company and associated companies and of directors of a company that is the trustee of an occupational pension scheme for employees of the Company or an associated company against liability incurred by them in certain situations, and would, if granted, constitute a "qualifying indemnity provision" within the meaning of Section 236 (1) of the Companies Act 2006. No such indemnities have been granted.

## Report of Directors continued

### Substantial shareholders

As at 26 June 2017, 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)	84,610,701	22.47	* Direct/indirect
Schroders plc	52,766,600	13.97	Indirect
Dan David Foundation	45,579,318	12.11	Direct
FIL Limited	31,343,390	8.32	Indirect

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

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

### Share capital

The issued share capital of the Company, plus details of the movements in the Company's issued share capital during the year, is shown in note 20 to the financial statements. Each ordinary share of the Company carries one vote at general meetings of the Company.

### Authority to purchase shares

Pursuant to a resolution passed at its 2016 AGM, the Company is authorised to purchase its own shares in the market. The Company will seek approval at the 2017 AGM 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 the higher of: (a) an amount which is not more than 5% above the average of the closing middle market quotations for an ordinary share (derived from the London Stock Exchange Daily Official List) for the five business days immediately before the date on which that ordinary share is contracted to be purchased, or (b) the higher of the price of the last independent trade or the highest current independent bid on the London Stock Exchange as stipulated by the Regulatory Technical Standards adopted by the European Commission under Article 5 (6) of the EU Market Abuse Regulation 2014. This authority will expire on the earlier of 18 months from the passing of the relevant special resolution or the conclusion of the following AGM. The Company made no repurchases of shares in the year ended 30 April 2017.

### Additional information

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

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

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

There are no restrictions on the transfer of ordinary shares

in the capital of the Company other than certain restrictions which may from time to time be imposed by law, for example, insider trading law. In accordance with the Listing Rules of the Financial Conduct Authority, certain employees are required to seek the approval of the Company to deal in its shares.

On a show of hands at a general meeting of the Company, every holder of ordinary shares entitled to vote and who is present in person or by proxy shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held (except as otherwise stated in Article 81 of the Company's Articles of Association). Any notice of general meeting issued by the Company will specify deadlines for exercising voting rights and in appointing a proxy or proxies in relation to resolutions to be passed at the general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the general meeting and published on the Company's website after the meeting. Proxy appointments and voting instructions must be received by the Company's registrars not less than 48 hours before a general meeting.

Under its Articles of Association, unless the Board otherwise determines, no member shall be entitled to vote in respect of any share unless all calls or other sums presently payable by them in respect of that share shall have been paid.

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

The rules governing the appointment of directors are set out in the Corporate Governance Statement on pages 38 to 41.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

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

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 28 to 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 in note 15 to the financial statements.

### Political donations

No member of the Group made any political donations during the year ended 30 April 2017.

### 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

## Report of Directors continued

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.

### Disclosure of information to the auditor

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 auditor (KPMG LLP) is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

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

### Annual General Meeting

The Company's AGM this year will be held at 2.00 p.m. on Wednesday 25 October 2017 at the offices of Hudson Sandler LLP, 29 Cloth Fair, London, EC1A 7NN.

Notice of the AGM is sent to all shareholders of the Company, as well as to persons nominated by a shareholder of the Company to enjoy information rights. The Notice convening the meeting provides full details of all the resolutions to be proposed, together with explanatory notes for both the ordinary and special business. Copies of this Annual Report are sent only to shareholders who have requested or request a copy.

By order of the Board

### Del Mansi

Company Secretary

27 June 2017

Statement of compliance with the UK Corporate Governance Code

The Financial Conduct Authority requires listed companies incorporated in the United Kingdom to include in their annual financial report (i) a statement of how they have applied the main principles set out in the UK Corporate Governance Code (the "Code") and (ii) a statement as to whether they have complied throughout the accounting period with all relevant provisions set out in the Code. The directors consider that the Company has, throughout the year ended 30 April 2017, complied with those provisions of the September 2014 edition of the Code that are applicable to it. The Code and associated guidance are available on the Financial Reporting Council website at <https://www.frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance/UK-Corporate-Governance-Code/Consultations-and-Revisions-to-the-UK-Corporate-G.aspx>

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

The Group's business model and strategy

The Group's business model and strategy are summarised on pages 6 to 11, and describe, amongst other things, how the Company generates and preserves value over the longer term and the strategy for delivering the objectives of the Company.

The Board

BOARD COMPOSITION

Throughout the year under review, the Board comprised the same six directors, being the Non-executive Chairman, the Chief Executive Officer, and four non-executive directors, three of whom the Board considers to be independent, namely Emmanuel Olympitis, Jean-Marcel Denis and Yitzhak Apeloig, and one whom the Board considers to be non-independent because of her previous employment by the Company, namely Françoise Coutaz-Replan. Ms Coutaz-Replan resigned as an employee of the Group in August 2015.

THE CHAIRMAN

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

DIRECTOR INDEPENDENCE

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

On his appointment in March 2012, the Nomination Committee took the view (out of caution) that because of Mr Apeloig's then current and previous business relationships with the Dan David Foundation and Mr Philippe Wahl, both of whom either directly or indirectly were major shareholders in the Company, he should not be considered as independent (the Dan David Foundation remains a major shareholder). These relationships of Mr Apeloig were indirect through his association with other entities.

This view was reached even though (i) Mr Apeloig held no mandate from either of those shareholders, (ii) would not be representing them, and (iii) would not be reporting back to them (a state of affairs which has never changed throughout his tenure of office as a director of the Company). Since Mr Apeloig's appointment, the Group has transacted business with one entity of which Mr Apeloig is a director, and in which the Dan David Foundation and Mr Philippe Wahl have ownership interests, namely Fomat Limited, a company incorporated in Israel. The business which Fomat Limited transacted with the Group has been minimal (the total value of such business transactions for the financial years ended 30 April 2013 and 2014 was £23,098 and £17 respectively, and £nil for each of the financial years ended 30 April 2015, 2016 and 2017).

Accordingly, given the above the Nomination Committee reassessed Mr Apeloig's status in 2015 and concluded that he should be considered as being an independent Non-executive director. The Committee keeps the situation under observation in case of any change but it is not expecting any such change.

THE SENIOR INDEPENDENT DIRECTOR

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

If a new director were to be appointed, 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 or her duties, may take independent advice at the Company's expense. All directors are required to stand for re-election every three years and newly appointed directors are subject to election by shareholders at the first Annual General Meeting after their appointment.

DIRECTORS' CONFLICTS OF INTEREST

During the year, directors completed questionnaires in respect of their interests. 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.

BOARD EVALUATION

The Chief Executive Officer and the Chairman review the performance of other Executive Directors. The Chairman reviews the performance of the Chief Executive and each Non-executive Director. The non-executive directors, led by the Senior Independent Non-executive Director, evaluate the performance of the Chairman taking into account the views of the Executive Directors. During the year, the Chairman met with the 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 had five meetings during the year under review. The attendance of directors at those meetings and meetings of Board Committees is set out below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings held</b>	5	5	3	0
J Lewis	5 (5)	5 (5)	3 (3)	0 (0)
S Crasnianski	5 (5)	n/a	n/a	n/a
Y Apeloig	5 (5)	3(5)*	n/a	n/a
F Coutaz-Replan	5 (5)	3(5)*	n/a	n/a
J-M Denis	5 (5)	5 (5)	3 (3)	0 (0)
E Olympitis	5 (5)	5 (5)	3 (3)	0 (0)

\* Mr Apeloig and Ms Coutaz-Replan attended all the meetings that were held after their appointment to the Audit Committee.

OPERATION OF THE BOARD

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.com](http://www.photo-me.com)). Decision making relating to operational matters is delegated to senior management.

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

Board Committees

THE AUDIT COMMITTEE

The Audit Committee consists entirely of non-executive directors. For the whole of the year under review, Jean-Marcel Denis (Committee Chairman), Emmanuel Olympitis (Senior Independent Director) and John Lewis (Chairman of the Board) served on the Committee; Françoise Coutaz-Replan (the Group's former Finance Director) and Yitzhak Apeloig, who is a qualified accountant, were appointed to the committee on 20 October 2016. The composition of the Committee was compliant with the Code, which permits a smaller company's Chairman to be a member of the Audit Committee providing he was considered independent on appointment as Chairman. The Board considers that Emmanuel Olympitis, Jean-Marcel Denis, Françoise Coutaz-Replan and Yitzhak Apeloig have suitable recent and relevant financial experience to satisfy the requirements of the Code.

Meetings are normally held at least twice a year. Five meetings were held during the year under review. Other directors together with the Chief Financial Officer and representatives of the external auditor are generally invited to attend meetings, as is the Group's internal auditor when required.

External auditor

The Audit Committee meets with the external auditor, without executive directors present, at least once a year. On behalf of the Board, the Committee reviews the Group's accounting and financial reporting practices, the reports of the internal auditor and external auditor, and compliance with policies, procedures and applicable legislation. In addition, the Committee monitors the effectiveness of both the external and internal audit functions and reviews the Group's internal financial control systems and reporting processes, and risk management procedures. The Committee considers the appointment of the external auditor and makes a recommendation on the audit fee to the Board; it assesses the effectiveness of the external auditor by means of an internal review process assisted by a confidential questionnaire; it sets a policy for safeguarding the independence of the external auditor and reviews the external auditor's 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 auditor to carry out such work. Details of audit and non-audit fees are provided in note 4 to the financial statements.

KPMG LLP has been the external auditor of the Group since the Annual General Meeting in September 2013. The Audit Committee is satisfied with the effectiveness, objectivity and independence of the external auditor. Accordingly, a resolution will be proposed at the forthcoming Annual General Meeting for KPMG LLP's re-election as auditor for the coming year. From the year ended 30 April 2009 until the Annual General Meeting in September 2013, KPMG Audit plc was auditor, having been selected as a result of a competitive tender in 2008. The Board is committed to putting the audit contract out to tender at least once every ten years. It conducted a tender process for the external audit role in 2016 in which it invited four firms (including KPMG LLP) to tender for the role of external auditor; KPMG LLP was the successful tenderer.

**Key matters considered**

During the last financial year, the Committee conducted a tender of the external audit function as described above. It also met to review the results of the external audit for the previous financial year, the external auditor's half-year review and the audit plan for the audit for the year ended 30 April 2017. In June 2017, the Committee met to review this annual report and to receive the external auditor's update and report on its audit activity.

The Committee's primary areas of focus have been:

- the integrity, completeness and consistency of financial reporting, including the adequacy, clarity and appropriateness of disclosures;
- the areas where significant judgments and estimates are required in the financial statements;
- the scope and programme of audits, along with the quality and effectiveness of audit processes so that they complement the other risk management activities within the Group;
- the materiality level to apply to the audit; and
- whether the going-concern basis of accounting should continue to apply in the preparation of the annual financial statements.

The preparation of financial statements requires management to make assumptions, judgments and estimates which are detailed in note 1 to the financial statements. The key areas of assumptions, judgments and estimates that have been monitored and considered by the Committee were:

- The carrying value of the GBP denominated goodwill in connection with the Japanese subsidiary and the potential impairment of this asset.

How this was addressed: the determination of whether or not goodwill has to be impaired requires a review of the value in use of the asset. The main judgments in relation to the review were considered to be the achievability of the budget, the discount rate being applied to projected future cash flows and the potential impact of the volatility of the Japanese yen. The calculation of the value in use was undertaken in April 2017 and the Committee considered the conclusions and sensitivity calculations that had been undertaken as part of the review.

- The carrying value of operating equipment and the potential impairment of these assets.

How this was addressed: The Committee reviewed the assumptions made for the assessment of future discounted cash flows of the operating assets per country and per category. The review included the discount rate applied, the achievability of the forecasts as compared with the past performance, as well as the impact of external changes in markets or regulations.

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

**The Remuneration Committee**

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

The Committee meets at least once per year. Three meetings were held in the year ended 30 April 2017.

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 42 to 52 provides details of how the Committee applies the directors' remuneration principles of the Code.

**The Nomination Committee**

During the year under review, the Nomination Committee comprised John Lewis (Committee Chairman), Emmanuel Olympitis and Jean-Marcel Denis. Thus the composition of the Committee was compliant with the applicable provision of the Code which requires the Nomination Committee of a smaller company to have a majority of independent Non-executive Directors with the Chairman of the Board 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 had several discussion sessions during the year ended 30 April 2017, but as no new candidates were considered for appointment to the Board during that period, the Committee held no formal meetings.

The Nomination Committee is committed to the pursuit of diversity, including gender diversity, throughout the business. Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender diversity. The Nomination Committee does not commit to any specific targets. The Group's Diversity Policy also recognises the benefits of diversity. The Nomination Committee will also ensure that its development in this area is consistent with the Group's current and future requirements, enhances Board effectiveness and reflects the Company's UK listing and the international activity of the Group.

**Shareholder communication and engagement**

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

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 and/or by correspondence or dialogue.

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

**Accountability and internal control**

The Board is ultimately responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. This is effected by receiving reports from the Audit Committee following its review. The Board confirms that it has reviewed the effectiveness of the systems of internal control and risk management for the year under review. 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 Audit Committee receives reports from the internal auditor and from the external auditor and reports its conclusions to the Board.

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.

**Internal control and risk management in relation to the financial reporting process**

The Group has a thorough assurance process in place in respect of the preparation, verification and approval of periodic financial reports.

This process includes:

- the involvement of qualified, professional employees with an appropriate level of experience (both in Group finance and throughout the business);
- formal sign-offs from appropriate business segment managing directors and finance directors;
- comprehensive review and, where appropriate, challenge from key internal Group functions;
- a transparent process to ensure full disclosure of information to the external auditor;
- engagement of a professional and experienced firm as external auditor;
- oversight by the Audit Committee, involving (amongst other duties):
  - (i) a detailed review of key financial reporting judgments which have been discussed by management;

- (ii) review and, where appropriate, challenge on matters including: the consistency of, and any changes to, significant accounting policies and practices during the year; significant adjustments arising as a result of the external audit; the going concern assumption; and the Company's statement on internal control systems, before endorsement by the Board.

The above process, together with the review by the Audit Committee of a comprehensive note that sets out the details of the preparation, internal verification and approval process for the Annual Report and Accounts, provide comfort to the Board that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and give the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## Remuneration Report ANNUAL STATEMENT

Dear Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 30 April 2017, which has been prepared by the Remuneration Committee ("the Committee") and approved by the Board.

This report has been prepared in line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The report is divided into three sections:

- This **Annual Statement**, which summarises remuneration outcomes in 2016/17 and provides details of the new Directors' Remuneration Policy which will be submitted for approval at the annual general meeting ("AGM") for 2017.
- The **Remuneration Policy Report**, which details the Company's policy on the remuneration of executive and non-executive directors. As the original remuneration policy, which was approved by shareholders at the 2014 AGM and amended last year, is nearing the end of its three-year shareholder-approved life, we will ask shareholders to approve a new policy at the 2017 AGM.
- The **Annual Report on Remuneration**, which discloses details of the Committee, how the remuneration policy was implemented in the year ended 30 April 2017, and how the policy will operate for the year ending 30 April 2018.

The Annual Statement and Annual Report on Remuneration will be subject to an advisory vote at the forthcoming 2017 AGM whilst the Remuneration Policy Report will be subject to a binding vote.

### Remuneration outcomes in 2016/17

For the year under review, the Committee considers the remuneration of the executive director to reflect both the performance of the Group and his individual performance. As pre-tax profit exceeded the prior year adjusted pre-tax profit by more than 10%, a bonus of 150% of salary is payable to the Chief Executive Officer ("CEO"). The CEO does not hold any unvested share option awards.

### Policy Renewal at the 2017 AGM

The Directors' Remuneration Policy was approved by shareholders at the 2014 AGM and, while a number of changes were made to the policy at the 2016 AGM with shareholder approval (i.e. amending the CEO's annual bonus potential, increasing shareholding guidelines and introducing post-vesting holding periods), the Committee has carried out a more fundamental review of the policy ahead of the 2017 AGM.

When reviewing the policy, the Committee considered a number of factors, including:

- The appropriateness of Photo-Me's pay for performance outcomes since the current remuneration policy was approved by shareholders in 2014;
- The recent output from the Executive Remuneration Working Group, the Government's Green Paper on

corporate governance reform, shareholder investor bodies and individual investors' updated voting guidance;

- The changes made to the Directors' Remuneration Policy last year (as noted above), including feedback received from investors during the consultation exercise;
- Pay and employment conditions in the wider workforce.

The main conclusion in respect of the Committee's review was that the current Directors' Remuneration Policy (i.e. as originally approved in 2014 and amended in 2016), remains fit for purpose and no material amendments should be made at the present time. The Committee will therefore seek shareholder approval to "roll over" the existing policy, as presented in the Remuneration Policy Report overleaf. That said, reflecting best practice, the new policy now contains caps on executive directors' base salaries, benefits, and non-executive directors' fees.

### Implementation of the Remuneration Policy for 2017/18

Whilst the Committee does not intend to make material changes to the current Directors' Remuneration Policy, the Committee proposes to make the following two alterations to the implementation of the Remuneration Policy for the year ending 30 April 2018:

- Following a review of the CEO's base salary, the Committee awarded an inflationary increase of 3% from 1 May 2017.
- The CEO's annual bonus will continue to be structured to incentivise year-on-year profit growth with the maximum annual potential maintained at 150% of salary. However, rather than an automatic "start to earn" of 75% of salary payable for equalling or exceeding the prior year's Group pre-tax profit (which the Committee now considers would be too high under normal circumstances), the Committee will determine the annual bonus payable where year-on-year pre-tax profit growth is between 0% and 5% on the prior year. This determination will consider both the quality and sustainability of the profit delivered.

In addition, for the 2017/18 financial year, the base fees of the Chairman of the Board and Non-executive Directors have been increased by 10%. This represents the first increase for Non-executive Directors since 2013, and the first increase for the Chairman and the senior independent director since 2010, and brings the fees more into line with those of similar sized companies.

Whilst both of the changes above are permitted under the current shareholder-approved policy, major shareholders were consulted in advance of the changes being made.

### Shareholder engagement

The Committee continues to take an active interest in shareholder views on our executive Remuneration Policy and is mindful of the concerns of shareholders and other stakeholders. This is reflected in the Company's voting results at the 2016 AGM, where both the Directors' Remuneration Report and Remuneration Policy resolutions were supported by significant majorities.

In conclusion, the Committee is of the view that our Remuneration Policy continues to be appropriately aligned with the Company's strategic objectives of delivering shareholder value and supporting the long-term success of the Company.

Yours faithfully,

**Emmanuel Olympitis**

Chairman of the Remuneration Committee

27 June 2017

## Remuneration Report continued REMUNERATION POLICY REPORT

This part of the Directors' Remuneration Report sets out the new remuneration policy for which shareholder approval will be sought at the forthcoming AGM.

If shareholder approval for this new policy is obtained, it will replace the policy currently in existence, with it being intended that this new policy will apply from its adoption at the 2017 AGM until the 2020 AGM. As set out in the Committee Chairman's introductory letter, no material changes are to be made to the existing policy, such key changes that are to be made being explained in that letter.

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.

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.

### Summary remuneration policy table

The table below summarises the remuneration policy for directors:

Element	Purpose and link to strategy	Operation	Maximum	Performance measures
Salary <sup>1</sup>	Reflects the value of the individual and their role  Reflects skills and experience over time  Provides an appropriate level of basic fixed income avoiding excessive risk arising from over reliance on variable income	Normally reviewed annually, effective 1 May  Normally paid in cash; pensionable  Comparison against companies with similar characteristics and comparators taken into account in review	The Committee is guided by the requirements of the Company and prevailing market levels. However, no executive director will receive a base salary increase in excess of 10% p.a., except to reflect the fact that their salary was set at a lower level initially with the intention that the salary be increased to a more market-reflective level as the individual gains experience (subject to performance)	N/A
Benefits	Provides insured benefits to support the individual and their family during periods of ill health or death  Gives allowances to support individuals in their relevant roles	Includes company car, private medical insurance, and may include an overseas housing allowance for a director working outside of his or her country of normal residence  Other benefits may be offered where appropriate	Benefits will not normally be provided with a value per executive director in excess of £75,000 p.a.	N/A

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

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

### Remuneration scenarios for executive directors

The chart below shows how the composition of the CEO's remuneration package varies at three performance levels: at minimum (i.e. fixed pay), target, and maximum levels, under the policy set out in the table below.

Value of remuneration package at different levels of performance

£'000	CEO
Salary	£557
Benefits	£65
Pension contribution	£84
Target bonus	£418
Maximum bonus	£836

£'000	Minimum	On-target	Maximum
Basic salary, benefits & pension	£706	£706	£706
Bonus	0	£418	£836
<b>Total</b>	<b>£706</b>	<b>£1,124</b>	<b>£1,542</b>

Continued on page 46

# Remuneration Report continued

## REMUNERATION POLICY REPORT continued

Element	Purpose and link to strategy	Operation	Maximum	Performance measures
Annual bonus	Incentivises delivery of specific Company, divisional and personal annual goals  Maximum bonus only payable for achieving specified targets	Normally payable in cash  Non-pensionable  Committee has the discretion to defer up to 50% of the bonus in shares for 3 years	Up to 150% of base salary p.a.	Performance is assessed on an annual basis, based on the achievement of objectives relating to financial performance, progress of strategic priorities and/or personal targets. The specific measures used in the bonus and their weighting may vary each year depending on business context and strategy  Clawback provisions are operated
Pension	Provides competitive retirement benefits	Defined contribution  Executive directors may be offered cash in lieu of pension	Up to 15% of base salary p.a.	N/A
Executive Share Option Scheme ("ESOS")	Aligns executive directors' interests with those of shareholders  Retention	Annual awards of market value options may be granted  The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures	Up to 150% of base salary p.a.	The Remuneration Committee may set such performance conditions on awards as it considers appropriate (whether financial or non-financial, and whether corporate, divisional or individual)  Up to 25% of salary vests at threshold increasing to 150% vesting at maximum  Clawback provisions are operated
Share ownership guidelines	Provides alignment of interests between executive directors and shareholders	Executive directors are required to build and maintain a shareholding equivalent to at least two years' base salary through the retention of 50% of the net-of-tax vested share awards or through open-market purchases	At least 200% of base salary	N/A
Non-executive directors	Provides fees reflecting time commitments and responsibilities, in line with those provided by similarly sized companies	Cash fee paid on a monthly basis  Fees are reviewed annually  Not entitled to participate in any Group pension scheme. No awards to be granted under the annual bonus or ESOS  No non-executive director receives any benefits in kind (other than in respect of the expenses relating to the performance of that individual's duties, such as travel to/from Board meetings)	The Committee is guided by market rates, time commitments and responsibility levels. However, aggregate annual fees will not exceed £750,000 or such other figure as provided for in the Company's Articles of Association from time to time  The Board may request that a non-executive director undertake services not within the normal scope of his/her role. Should this be the case in the future, a commercial rate would be paid and full disclosure would be provided in the relevant Directors' Remuneration Report	N/A

1 Where considered appropriate, the Committee may allow the Company to pay salaries to a director and/or fees to a service company that supplies a director's services to the Company.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority was given to the Company to honour any commitments entered into with current or former directors (such as the payment of the prior year's annual bonus or the vesting/exercise of share awards granted in the past). Details of any payments to former directors will be set out in the Directors' Remuneration Report for the relevant financial year. The policy will be binding except that the Committee may make changes only in so far as required to comply with new legal requirements. If material, such changes would be submitted to the subsequent shareholders' meeting for approval.

# Remuneration Report continued

## REMUNERATION POLICY REPORT continued

Continued from page 44

	Minimum	On-target	Maximum
Basic salary, benefits & pension	100%	63%	46%
Bonus		37%	54%

The chart above is based on the following:

- Salary level effective on 1 May 2017.
- An approximate value of benefits for the financial year, using the figures for the year ended 30 April 2017.
- An annualised pension contribution and/or salary supplement (as a % of salary) for the year to 30 April 2017.
- A maximum bonus of 150% of salary (with target assumed to be 50% of the maximum).
- The CEO will not receive share option awards during the 2017/2018 financial year.

Choice of performance measures

The Committee has given careful consideration to the performance measures applicable to both the annual bonus and the 2014 Executive Share Option Scheme.

The choice of the performance metrics applicable to the annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging, with the majority (or the entirety) linked to the achievement of profit-related targets. The Committee may also link a proportion of the annual bonus to strategic and/or personal objectives if it deems this appropriate with regard to the Company's key objectives.

The earnings per share (EPS) performance condition applicable to the 2014 Executive Share Option Scheme was selected by the Committee on the basis that it incentivises the delivery of sustainable long-term financial performance and rewards management for growing the Company whilst retaining an appropriate profit margin. The use of share options retains a robust link between management and shareholders by incentivising management to deliver long-term growth in the Company's share price. The Committee retains discretion over the use of other financial/share price-based performance metrics and the calculation of EPS in order to appropriately adjust for any material one-off items including (but not limited to) major acquisitions, changes in accounting policies, and major share issues.

The Committee operates the 2014 Executive Share Option Scheme in accordance with the scheme rules, the Listing Rules, and HMRC legislation. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.

How employees' pay is taken into account

The Committee is aware of the general pay and conditions in the Group as a whole when determining the directors' remuneration policy and its implementation. However, reflecting standard practice, employees are not directly consulted in the formulation of the policy.

How the executive directors' remuneration policy relates to the Group

The Remuneration Policy described above provides an overview of the structure that operates for most senior executives in the Group. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with remuneration driven by market comparators and the impact of the role of the employee in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group's earnings' growth and share-price performance.

How shareholders' views are taken into account

The Committee continues to take an active interest in shareholder views on our executive remuneration policy and is mindful of the concerns of shareholders and other stakeholders. This is reflected in our voting result at the 2016 AGM, which showed over 91% in favour of the Directors' Remuneration Report resolution. Major shareholders and representative bodies were consulted in 2014 in respect of the 2014 Executive Share Option Scheme described in the Annual Report on Remuneration.

Approach to recruitment and promotions

The remuneration package for a new executive director would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience, and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate, and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained.

Consistent with Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, which amended the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, any caps contained within the policy for fixed pay do not apply to new recruits, although the Committee would not envisage exceeding these caps in practice unless absolutely necessary.

The annual bonus potential would be limited to 150% of salary, and grants under the 2014 Executive Share Option Scheme would be limited to 150% of salary. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited, in terms of vesting periods, expected value and performance conditions.

For an internal executive director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Fee structure and quantum for non-executive director appointments will be based on the prevailing non-executive director fee policy.

Approach to leavers

No executive director has the benefit of provisions in his or her service contract for the payment of pre-determined compensation in the event of termination of employment. It has been the Committee's general policy that the service contracts of executive directors (none of which is for a fixed term) should provide for termination of employment by giving notice or by making a payment of an amount equal to base salary (and in the case of the CEO, an additional amount equal to the cost of providing any benefits for the period of notice) in lieu of any unserved notice period. It is the Committee's general policy that no executive director should be entitled to a notice period or payment on termination of employment in excess of the levels set out in his or her service contract. In determining amounts payable on termination, the Committee also considers, where it is able to do so, appropriate adjustments to take into account accelerated receipt and the executive director's duty to mitigate his or her loss. An annual bonus

## Remuneration Report continued

### REMUNERATION POLICY REPORT continued

may be payable with respect to the period of the financial year served although it will be pro-rated for time served and paid at the normal payout date.

The treatment of any share awards granted to an executive director will be determined based on the relevant scheme rules.

The default treatment under the 2004 Executive Share Option Scheme is that any outstanding awards or unexercised options lapse on cessation of employment. However, in certain prescribed circumstances (e.g. death, ill-health, disability, redundancy, or other circumstances at the discretion of the Committee), 'good leaver' status is applied. In this scenario, other than in the case of a retirement, any outstanding options will normally be exercisable on the date of cessation and remain exercisable for a period of six months (or 12 months in the case of death). On a retirement, options vest at the normal vesting date and remain exercisable for a period of six months.

The default treatment under the 2014 Executive Share Option Scheme is that any outstanding awards or unexercised options lapse on cessation of employment. However, in certain prescribed circumstances (e.g. death, injury, disability or other circumstances at the discretion of the Committee), 'good leaver' status can be applied at the discretion of the Committee or shall apply in relation to HMRC tax-favoured options as relevant. In this scenario, any outstanding options will normally be exercisable on the date of cessation and remain exercisable for a period of six months (or 12 months in the case of death). Alternatively, in the case of non-tax favoured options, the Committee has the discretion to determine that good leavers' awards should continue to be exercisable based on the normal timetable.

The extent to which outstanding option awards become exercisable for good leavers will depend on the satisfaction of any applicable performance conditions (over a curtailed or full performance period as relevant). Time pro-rating of options will apply to good leavers' awards unless the Committee determines that time pro-rating is inappropriate.

The Company has the power to enter into settlement agreements with directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an executive director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

#### Service contracts

Details of the executive director's service contract are as follows:

Executive director	Date of contract	Notice period
Serge Crasnianski <sup>1</sup>	01/05/2010	12 months

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

of the Company during the non-executive director's normal term of appointment, he or she will be entitled to compensation equal to three months' fees, six months' fees in the case of the Chairman. Relevant appointment letter and term dates of the non-executive directors are set out below:

Non-executive director	Appointment letter date	Year of last election	Expected year of expiry of current item
John Lewis <sup>2</sup>	26/07/2010	2014	2017
Yitzhak Apeloig	08/03/2012	2015	2018
Françoise Coutaz-Replan <sup>3</sup>	27/08/2015	2015	2018
Jean-Marcel Denis	01/03/2012	2015	2018
Emmanuel Olympitis	11/11/2009	2016	2019

- 1 Mr Crasnianski's contract is with Photo-Me Limited, a wholly owned subsidiary of the Company.
- 2 First appointed to the Board on 3 July 2008.
- 3 First appointed to the Board as Group Finance Director on 24 September 2009, and resigned as an executive director on 27 August 2015.

#### External appointments

The Board may allow executive directors to accept appropriate outside commercial non-executive director appointments provided the aggregate commitment is compatible with their duties as executive directors. Whether or not the executive directors concerned may retain fees paid for these services will be considered on a case-by-case basis, and will be subject to approval by the Board. Details (if any) of non-executive directorships held by executive directors will be disclosed in the relevant Directors' Remuneration Report.

## Remuneration Report continued

### ANNUAL REPORT ON REMUNERATION

Implementation of the Remuneration Policy for year ending 30 April 2018.

#### Base salary

The base salary for each executive director is reviewed annually by the Committee and the current applicable base salaries are as follows:

Executive director	1 May 2017 £	1 May 2016 £	% Increase
Serge Crasnianski	557,114	540,887	3

#### Pension and benefits

Mr Crasnianski will continue to receive a pension contribution equal to 15% of base salary in the form of a salary supplement.

#### Benefits

Executive directors are entitled to a company car, private medical insurance and an accommodation allowance.

#### Annual bonus

The annual bonus will continue to be structured to incentivise year-on-year profit growth with a maximum annual amount set at 150% of salary. In the previous year, an automatic "start to earn" of 75% of salary was payable for equalling or exceeding the prior year's Group pre-tax profit by 5% or more. The Committee now considers this would be too high under normal circumstances, so the Committee will determine the annual bonus payable where year-on-year pre-tax profit growth is between 0% and 5% compared to the prior year. This determination will consider both the quality and sustainability of the profit delivered. The targets operated for the year ended 30 April 2017 and the targets for the year ending 30 April 2018 are therefore as follows:

	2017/18 Annual Bonus (% of salary)	2016/17 Annual Bonus (% of salary)
Group pre-tax profit is less than the prior year*	0%*	0%*
Group pre-tax profit is between 100% and 105% of the prior year	<b>Committee discretion to determine a bonus depending on year-on-year profit growth</b>	75%
Group pre-tax profit is 5% higher, but less than 10% higher than that of the prior year	100%	100%
Group pre-tax profit is 10% or above that of the prior year	150%	150%

\*Any bonus for this level of performance would be entirely at the Committee's discretion

#### Long-term incentives

No options will be granted to the CEO under the 2014 Executive Share Option Scheme this year.

#### Non-executive directors

The fees for non-executive directors are reviewed at least every three years and the current applicable fee levels for the roles below are as follows:

Non-executive director	Role	Committee Chairman	1 May 2017 £	1 May 2016 £
John Lewis	Chairman	Chair of Nomination Committee	132,000	120,000
Emmanuel Olympitis	Senior Independent Director	Chair of Remuneration Committee	55,000	50,000
Françoise Coutaz-Replan	Non-executive Director	-	44,000	40,000
Jean-Marcel Denis	Non-executive Director	Chair of Audit Committee	49,500	45,000
Yitzhak Apeloig	Non-executive Director	-	44,000	40,000



## Remuneration Report continued

### ANNUAL REPORT ON REMUNERATION continued

#### Single Total Figure of Remuneration\*

The detailed emoluments received by the executive and non-executive directors for the year ended 30 April 2017 are shown below. No payments were made for loss of office, and no payments were made to past directors.

	Year	Salary/ Fees £	Benefits <sup>1</sup> £	Bonus <sup>2</sup> £	Long-Term Incentives <sup>3</sup> £	Pension <sup>4</sup> £	Total £
<b>Executive director</b>							
Serge Crasnianski <sup>5</sup>	2017	540,887	64,763	811,330	-	81,133	1,498,113
	2016	491,715	27,397	491,715	368,040	73,757	1,452,624
<b>Non-executive directors</b>							
John Lewis <sup>7</sup>	2017	120,000	-	-	-	-	120,000
	2016	120,000	-	-	-	-	120,000
Yitzhak Apeloig	2017	40,000	-	-	-	-	40,000
	2016	40,000	-	-	-	-	40,000
Françoise Coutaz-Replan <sup>6</sup>	2017	40,000	-	-	39,702	-	79,702
	2016	89,667	8,159	-	99,740	3,150	200,716
Jean-Marcel Denis	2017	45,000	-	-	-	-	45,000
	2016	45,000	-	-	-	-	45,000
Emmanuel Olympitis	2017	50,000	-	-	-	-	50,000
	2016	50,000	-	-	-	-	50,000

1 Taxable benefits comprise the provision of a car or car allowance, private medical insurance, and (where appropriate) an accommodation allowance which for the CEO amounted to £30,000.

2 Bonus is that awarded in respect of performance in the financial year, the calculation for the 2017 annual bonus is shown on page 47

3 The value for Long-term Incentives shown above for Françoise Coutaz-Replan in respect of the year ended 30 April 2017 relates to ESOS awards granted in July 2014 (195,000 shares) with an exercise price of 145.33p and for which the performance period ended on 30 April 2017. The value shown above is the intrinsic value calculated using the three-month average share price to 30 April 2017 (165.6905p) as required by the relevant regulations. The 2016 financial year long-term incentive values for calculations relate to ESOS awards granted in July 2013 to Serge Crasnianski (738,000 shares) and Françoise Coutaz-Replan (200,000 shares), each with an exercise price of 90.63p and with a performance period which ended on 30 April 2016. The awards vested on 9 July 2016 (share price 140.5p) and the intrinsic values at vesting were as shown above. These are lower than the values shown in the single figure table for the year ended 30 April 2016, where intrinsic values were calculated using the three-month average share price to 30 April 2016 (167.61p).

4 The pension payment to Serge Crasnianski in the year ended 30 April 2017 represented 15% of base salary.

5 The emoluments of Serge Crasnianski shown above include fees and bonus totalling £847,410 (2016: £770,373) payable to a third party in respect of making available the services of Serge Crasnianski to the Company.

6 Françoise Coutaz-Replan stepped down as an executive director on 27 August 2015, and was appointed as a non-executive director on the same date.

7 The emoluments of John Lewis shown above include fees of £45,000 (2016: £45,000) paid to a third party in respect of making available the services of John Lewis to the Company.

\* Subject to audit

#### Additional information in respect of the single total figure table\*

##### ANNUAL BONUS

For the year ended 30 April 2017, the maximum bonus opportunity for Serge Crasnianski was 150% of salary. Serge Crasnianski's full bonus for that year was determined by performance against profit-before-tax targets established at the start of the financial year. Details of the performance against the profit-before-tax targets for the 2017 annual bonus are set out below:

	Profit before tax	Bonus payout (% of salary)
Threshold	£40.1m	75%
Target	£42.1m	100%
Maximum	£44.1m	150%
Actual	£48.0m	150%

## Remuneration Report continued

### ANNUAL REPORT ON REMUNERATION continued

#### Executive Share Option Scheme (ESOS)

The ESOS awards granted to Françoise Coutaz-Replan on 10 July 2014 completed their performance period on 30 April 2017 and accordingly have been included in the 2017 single total figure of remuneration. These awards are fully based on performance against an EPS target.

Details of the EPS performance target, the level of achievement against the target and the resultant level of vesting are set out in the table below.

	EPS for 2017	Vesting (% of participant's salary at date of grant)
Performance condition	Below 5.5p	None
	5.5p	25%
	6.5p	100%
	7.2p	150%
	Between 5.5p and 7.2p	Between 25% and 150% on a straight-line basis
Actual	9.3p	150%

\*Subject to audit

#### Scheme interests awarded in the year \*

##### Executive Share Option Scheme

The Company made no option awards to directors during the year ended 30 April 2017.

#### Directors' 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. There have been no changes to these holdings between 30 April 2017 and the date of signing the financial statements.

Executive director	Beneficially owned at		Vested ESOS awards <sup>1</sup>	Unvested ESOS awards <sup>2</sup>	Shareholding requirement (% of salary)	Current shareholding (% of salary) <sup>3</sup>	Guideline
	30 April 2017	1 May 2016					
Serge Crasnianski	84,610,701 <sup>4</sup>	79,783,450	738,000	-	200%	27,219%	Yes
<b>Non-executive directors</b>							
John Lewis	-	-	-	-	-	-	-
Yitzhak Apeloig	-	-	-	-	-	-	-
Françoise Coutaz-Replan <sup>5</sup>	200,000	161,800	732,000	407,600	-	-	-
Jean-Marcel Denis	-	-	-	-	-	-	-
Emmanuel Olympitis	45,000	45,000	-	-	-	-	-

1 Options with no further performance conditions attached that have not been exercised.

2 Options with outstanding performance conditions attached.

3 Executive directors are required to build and maintain a shareholding equivalent to at least 200% of base salary through the retention of 50% of the net-of-tax vested share awards or through open-market purchases. Calculated using the closing share price on 30 April 2017 being 174p. The shareholding guideline is calculated using only beneficially owned shares.

4 Of the shares beneficially owned by Serge Crasnianski, 79,719,900 shares (2016: 79,719,900) were registered in other names.

5 Françoise Coutaz-Replan stepped down as an executive director on 27 August 2015, continuing as a non-executive director.

## Remuneration Report continued

### ANNUAL REPORT ON REMUNERATION continued

Directors' interests in share options\*

Date of grant	Number of options		Exercised during year	Lapsed during year	As at 30 April 2017	Exercise price	Date from which exercisable	Expiry date
	As at 1 May 2016	Granted during year						
<b>Serge Crasnianski</b>								
9 July 2013 <sup>1</sup>	738,000	-	-	-	738,000	90.63p	9 July 2016	8 July 2020
Françoise Coutaz-Replan								
20 Jan 2010	44,093	-	44,093	-	-	36.67p	20 Jan 2013	19 Jan 2017
4 July 2011	50,000	-	-	-	50,000	65.25p	4 July 2014	3 July 2018
13 Dec 2011	250,000	-	-	-	250,000	53.50p	13 Dec 2014	12 Dec 2018
4 July 2012	232,000	-	-	-	232,000	39.17p	4 July 2015	3 July 2019
9 July 2013 <sup>1</sup>	200,000	-	-	-	200,000	90.63p	9 July 2016	8 July 2020
10 July 2014 <sup>2</sup>	195,000	-	-	-	195,000	145.33p	10 July 2017	9 July 2021
9 July 2015 <sup>3</sup>	212,600	-	-	-	212,600	133.33p	9 July 2018	8 July 2022

1 The 10 July 2014 ESOS awards are subject to the performance conditions and vesting schedule as set out on page 49

2 The 9 July 2015 ESOS award is subject to the performance and vesting schedule in the 2014 ESOS award but the threshold 2018 EPS target is set at 6.5p with full vesting for an EPS of 8.5p or greater.

\* Subject to audit

#### Relative importance of the spend on pay

The following table sets out the percentage change in distributions to shareholders and employee remuneration costs.

	2017	2016	% Change
Employee remuneration costs (£'000) <sup>1</sup>	40,658	32,653	24.5%
Dividends (£'000) <sup>2</sup>	32,629 <sup>3</sup>	18,217	79%

1 Based on the figure shown in note 5 to the Financial Statements.

2 Based on the cash returned to shareholders in 2017 through dividends as shown in note 9 to the Financial Statements. The Company did not undertake any buy-backs in the year ended 30 April 2017.

3 This includes the special dividend of 2.815p paid on 10 November 2016.

#### Percentage increase in the remuneration of the CEO

The table below shows the change in the salary, benefits and annual bonus for the CEO between the current and previous financial year compared with the change for a comparator group of selected employees of the Group.

Element of remuneration	CEO % change	Employees % change <sup>1</sup>
Salary	10%	0.8%
Benefits	136.39%	0%
Annual bonus	65%	(6.6)%

1 The Committee chose to use a comparator group comprising employees from the major operating territories, namely UK (excluding main board directors of the Company), France and Japan as being a representative group of employees for these purposes.

## Remuneration Report continued

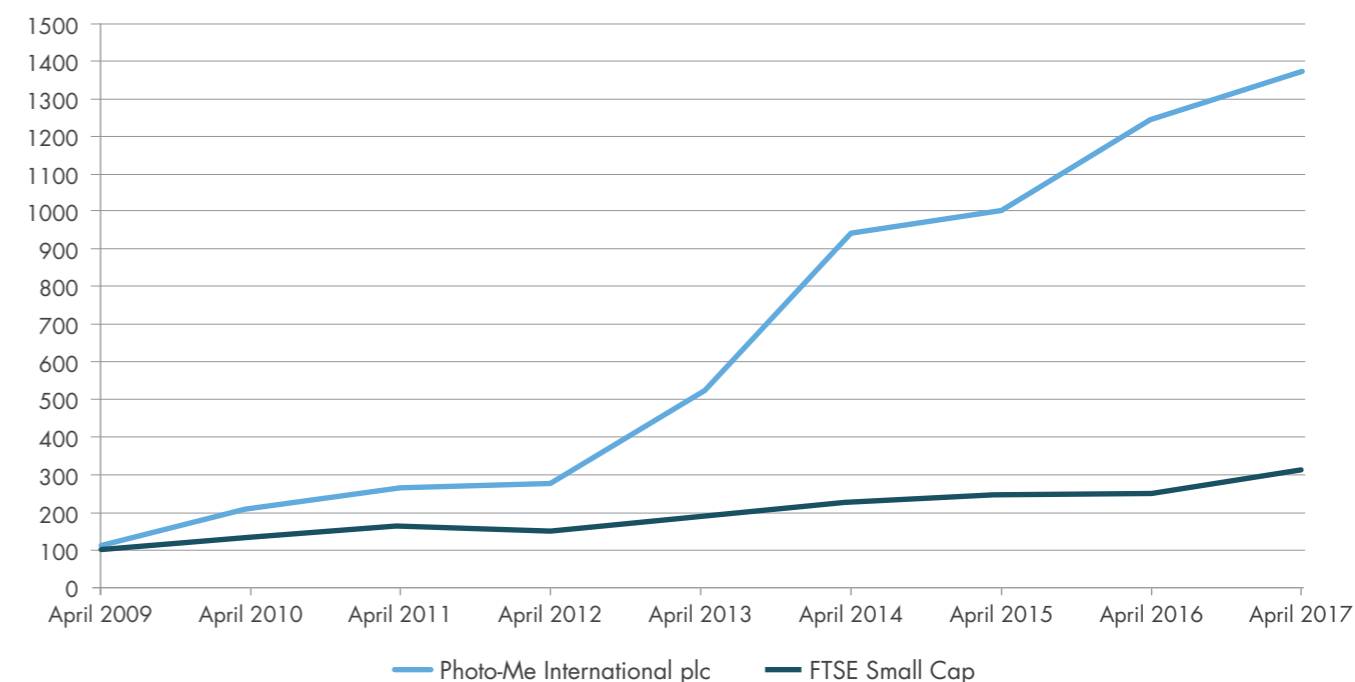
### ANNUAL REPORT ON REMUNERATION continued

Performance graph

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

#### TOTAL SHAREHOLDER RETURN

Source: Datastream (Thomson Reuters)



This graph shows the value at 30 April 2017 of £100 invested in the Company on 30 April 2009, compared with the value of £100 invested in the FTSE SmallCap Index.

The table below shows the total remuneration for the CEO over the same eight-year period as the TSR chart above. All share awards are valued at the date of vesting.

Year ended 30 April	CEO	Total remuneration (£)	Annual bonus (% of max)	Long-term incentives (% of max) <sup>1</sup>
2017	Serge Crasnianski	1,498,113	100%	-
2016	Serge Crasnianski	1,429,209	100%	100%
2015	Serge Crasnianski	1,031,628	100%	-
2014	Serge Crasnianski	914,278	100%	-
2013	Serge Crasnianski	899,487	100%	-
2012	Serge Crasnianski	898,693	100%	-
2011	Serge Crasnianski	893,312	100%	-
2010	Serge Crasnianski <sup>2</sup>	739,548	100%	-
2010	Thierry Barel <sup>3</sup>	90,327	0%	-

1 Shows the number of share options which vested as a percentage of the maximum number of share options which could have vested. For the years ended 30 April 2011 to 30 April 2017 (but excluding 2016), Serge Crasnianski did not have any outstanding share option awards that could have vested in the relevant years.

2 Serge Crasnianski was appointed to the role of CEO on 3 July 2009 having previously served as a non-executive director from 6 May 2009. The total remuneration figure shown includes all payments received following his appointment as CEO but excludes any fees paid (£5,429) for performing the role of non-executive director.

3 Thierry Barel resigned from the role of CEO on 3 July 2009. The total remuneration figure shown includes all payments received prior to his resignation as CEO, but excludes a termination payment of £92,800.

## Remuneration Report continued

### ANNUAL REPORT ON REMUNERATION continued

Payment for loss of office

No termination payments were made in the year.

#### Committee role and membership

The Remuneration Committee comprises three non-executive directors: Emmanuel Olympitis (Committee Chairman, member of the Audit and Nomination Committees, and Senior Independent Director); John Lewis (Chairman of the Board and the Nomination Committee, and member of the Audit and Remuneration Committees); and Jean-Marcel Denis (Chairman of the Audit Committee and member of the Nomination and Remuneration Committees). They are all considered by the Board to be independent. Biographies of the members of the Committee are set out on page 34. Details of their membership of the Committee and attendance at the meetings during the year are as follows:

Name	Position	Appointment date	Number of meetings attended (maximum possible)
Emmanuel Olympitis	Committee Chairman	11 November 2009	3 (3)
John Lewis	Non-executive Chairman	3 July 2008	3 (3)
Jean-Marcel Denis	Non-executive Director	1 March 2012	3 (3)

It remains the Committee's policy that it shall be available to meet on an ad hoc basis when the needs of the Company require it. At the invitation of the Chairman, the CEO may attend meetings of the Committee, except when his own remuneration is under consideration. No director is involved in determining his or her own remuneration. The Company Secretary acts as the secretary to the Committee. The members of the Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense.

The Committee's terms of reference are published in the 'Investor Relations' section of the Company's website at [www.photo-me.com](http://www.photo-me.com).

#### Advisers

The Committee is advised by FIT Remuneration Consultants LLP, which has been appointed by the Committee to replace New Bridge Street, part of Aon plc. FIT advises the Committee on various matters relating to the remuneration of the Chairman, executive directors and senior executives and also provides advice to the executive director in respect of the remuneration of non-executive directors. During the financial year ended 30 April 2017, fees paid to FIT and New Bridge Street in respect of advice given to the Committee totalled £8,175 and £4,700 (exclusive of VAT) respectively. The Committee is satisfied that the advice provided by FIT and New Bridge Street is objective and independent and those firms charge on their normal respective terms.

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

#### Statement of shareholder voting

At last year's AGM, the resolution on the Directors' Remuneration Report received the following votes from shareholders:

Resolution	Votes cast in favour	%	Votes cast against	%	Total votes cast (excludes withheld votes)	%	Votes withheld <sup>1</sup>
Directors' Remuneration Report (excluding the Remuneration policy)	282,550,683	91.72	25,497,850	8.28	308,048,533	100.00	10,481,309
Amending the Directors' Remuneration Policy	189,938,061	83.27	38,164,370	16.73	228,102,431	100.00	90,427,411

<sup>1</sup> A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

By order of the Board

#### Emmanuel Olympitis

Chairman of the Remuneration Committee

27 June 2017

## Statement of Directors' Responsibilities

The directors of the Company, who are named on page 34, are responsible for preparing the Annual Report, the Report of the Directors and the Group and Company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the

Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the directors of the Company, whose names and functions are listed on page 34, confirms that, to the best of his or her knowledge:

- the financial statements, prepared in accordance with IFRS 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 Strategic Report, 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.

#### Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code, the directors have arrangements in place to ensure that the information presented in the Annual Report is fair, balanced and understandable; these are described on page 41.

The Board considers, on the advice of its Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy.

#### Significant accounting policies, critical estimates and key judgments

Our significant accounting policies are set out on pages 66 to 73 of the consolidated financial statements and conform with IFRS as adopted by the EU. These policies and applicable estimation techniques have been reviewed by the directors who have confirmed them to be appropriate for the preparation of the 2016/2017 consolidated financial statements.

By order of the Board

#### John Lewis

Non-executive Chairman

27 June 2017



# Independent auditor's report

to the members of Photo-Me International plc only

Opinions and conclusions arising from our audit

## 1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Photo-Me International plc for the year ended 30 April 2017 set out on pages 60 to 123. 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 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Overview	
<b>Materiality:</b> group financial statements as a whole	£2.4m (2016:£2.0m) 5% (2016: 5%) of profit before tax
<b>Coverage</b>	79% (2016:91%) of group profit before tax
Risks of material misstatement vs 2016	
<b>Recurring risks</b>	Recoverability of carrying value of photobooths and vending machines <span style="float:right">◀▶</span>
	Recoverability of Japan goodwill <span style="float:right">▼</span>

## 2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

The risk	Our response
<p><b>Recoverability of carrying value of photobooths and vending machines</b> (£66.6m; 2016: £49.7m)</p> <p><i>Refer to page 40 (Audit Committee Report), page 69 (accounting policy) and page 87 (financial disclosures).</i></p> <p>The carrying value of photobooths and vending machines is significant and there is a risk of impairment of these assets in some countries due to potential changes in technology, consumer preference and regulations.</p> <p>The carrying value of the asset classes are first reviewed at a high level by comparing the carrying amount to the 18 month cash flows expected from the asset. If this high level review indicates potential impairment issues then the group prepares discounted cash flow forecasts taking into consideration their full useful economic life, on all asset classes with a carrying value greater than £150K and compares the results to the carrying value of the assets to assess if an impairment of the asset is required.</p> <p>The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Control design:</b> Evaluating the controls over the process used for identifying potential impairment including their operating effectiveness.</li> <li>— <b>Our sector experience:</b> Assessing assumptions made in the discounted cash flow models such as EBITDA based on our knowledge of the group and the country specific markets.</li> <li>— <b>Historical comparisons:</b> Challenging the methodology used to determine the discount rate used in the cash flow models by comparing against past performance.</li> <li>— <b>Benchmarking assumptions:</b> Assessing whether the forecasts appropriately considered any changes in the market place and local regulations based on our industry knowledge; and</li> <li>— <b>Challenge of business plans:</b> For those assets where there were indicators of impairment but impairment analysis indicated otherwise, we challenged the directors' assumptions of the achievability of the country-specific plans using our understanding of the legislation and product mix in the relevant country.</li> <li>— <b>Comparing carrying value:</b> For those asset classes, where there is a potential impairment, that are below the Group's impairment testing threshold, we checked the EBITDA as a proxy for cash flows expected in aggregate by entity, from these assets against carrying amount.</li> </ul>
<p><b>Recoverability of Japan goodwill</b> (£7.2m; 2016: £7.2m)</p> <p><i>Refer to page 40 (Audit Committee Report), page 68 (accounting policy) and page 83 (financial disclosures).</i></p> <p>Goodwill in relation to Nippon Auto-Photo Kabushiki Kaisha (Japan) is significant and at risk of recoverability due to:</p> <ul style="list-style-type: none"> <li>-the potential impact of the volatility of the Japanese Yen on the recoverable amount of this GBP denominated goodwill and;</li> <li>-the inherent uncertainty involved in the forecasting of cash flows and use of inputs and discount rates.</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>— <b>Control design:</b> Evaluating the group's budgeting procedures upon which the cash flow forecasts are based.</li> <li>— <b>Historical comparisons:</b> Consideration of the historical accuracy of key assumptions used in the model by comparing forecasted revenue and cost growth to the actual amounts achieved in prior periods.</li> <li>— <b>Tests of detail:</b> Comparing forecast exchange rates to externally derived data.</li> <li>— <b>Sensitivity analysis:</b> Performing break-even analysis on the discount rate and exchange rate used.</li> <li>— <b>Assessing transparency:</b> Assessing whether the group's disclosures (see note 11) about the sensitivity of the outcome of the impairment assessment to changes in key assumptions adequately reflected the risks inherent in the valuation of goodwill.</li> </ul>

We continue to perform procedures over Estimation of provisions. However, following the reduction of this balance, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.



**3. Our application of materiality and an overview of the scope of our audit**

The materiality for the group financial statements as a whole was set at £2.4m (2016: £2.0m), determined with reference to a benchmark of group profit before taxation of £48m, of which it represents 5.0% (2016: 5.0%).

We report to the audit committee any corrected or uncorrected identified misstatements exceeding £0.1m (2016: £0.1m), in addition to other identified misstatements that warrant reporting on qualitative grounds.

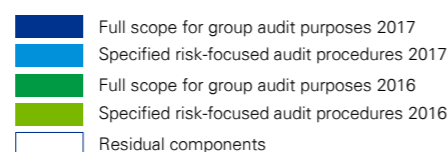
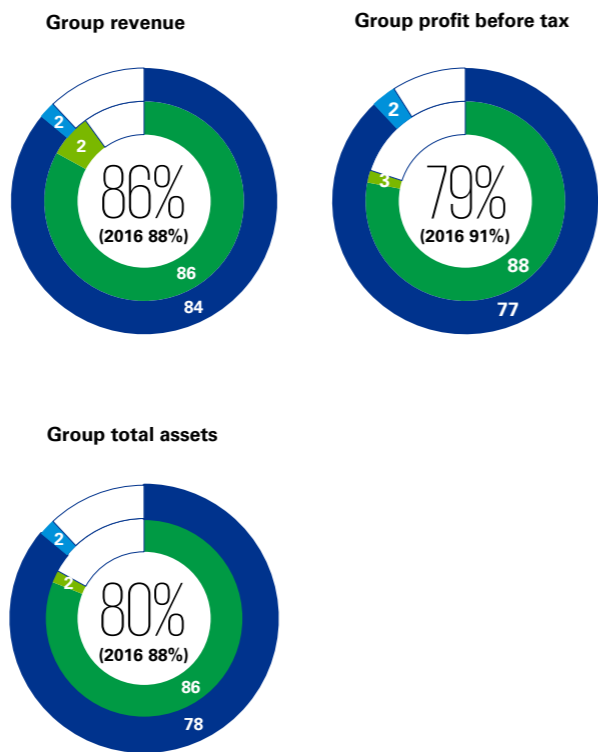
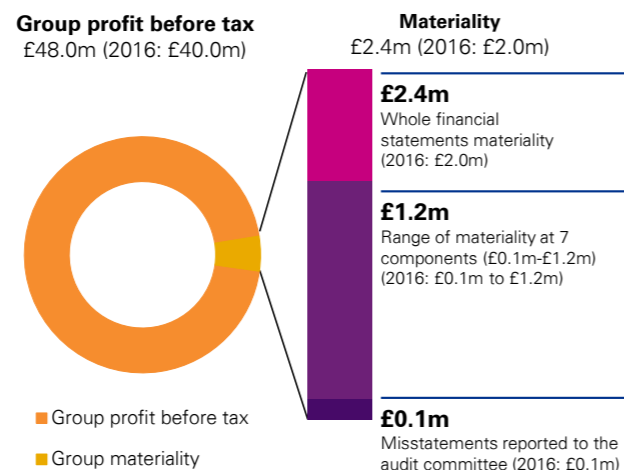
Of the group's 36 (2016: 34) reporting components, we subjected 7 (2016: 5) to audits for group reporting purposes and 1 (2016: 1) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages of the group's results as set out across the page.

The remaining 14% (2016: 12%) of total group revenue, 21% (2016: 9%) of group profit before tax and 20% (2016: 12%) of total group assets is represented by 28 (2016: 28) reporting components, none of which individually represented more than 5.6% (2016: 4.9%) of any of total group revenue, group profit before tax or total group assets. -

For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. -

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.1m to £1.2m (2016: £0.1m to £1.2m), having regard to the mix of size and risk profile of the Group across the components. The work on 5 of the 36 components (2016: 6 of the 34 components) was performed by component auditors and the rest by the Group audit team. The Group Engagement Partner visited 1 (2016: 1) component location in France, including to assess the audit risk and strategy. Multiple telephone conference meetings were held with the component auditors, including planning calls and post reporting calls. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.



**4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**5. We have nothing to report on the disclosures of principal risks**

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of viability on page 31, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 30 April 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

**6. We have nothing to report in respect of the matters on which we are required to report by exception**

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the corporate governance statement does not appropriately address matters communicated by us to the audit committee.

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' statements, set out on page 31, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 38 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

**Scope and responsibilities**

As explained more fully in the Directors' Responsibilities Statement (set out on page 53), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate). This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at [www.kpmg.com/uk/auditscopeukco2014a](http://www.kpmg.com/uk/auditscopeukco2014a), which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

**Steve Masters (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT

27 June 2017





# OUR CUSTOMERS

technological:  
**INTERACTION**

## Group Statement of Comprehensive Income for the year ended 30 April 2017

	Notes	2017 £'000	2016 £'000
<b>Revenue</b>	3	<b>214,653</b>	183,994
Cost of sales		<b>(156,427)</b>	(131,546)
Gross profit		<b>58,226</b>	52,448
Other operating Income	4	<b>2,203</b>	1,306
Administrative expenses		<b>(13,818)</b>	(14,185)
Share of post tax profits from associates	14	<b>196</b>	165
<b>Operating profit</b>		<b>46,807</b>	39,734
Finance income	6	<b>1,488</b>	538
Finance cost	6	<b>(256)</b>	(166)
<b>Profit before tax</b>		<b>48,039</b>	40,106
<b>Total tax charge</b>	7	<b>(12,901)</b>	(10,907)
<b>Profit for year</b>		<b>35,138</b>	29,199
<b>Other comprehensive income</b>			
Items that are or may subsequently be classified to profit and loss:			
Exchange differences arising on translation of foreign operations		<b>1,862</b>	5,328
Taxation on exchange differences		<b>1,058</b>	485
Total items that are or may subsequently be classified to profit and loss		<b>2,920</b>	5,813
Items that will not be classified to profit and loss:			
Remeasurement (losses)/gains in defined benefit obligations and other post-employment benefit obligations		<b>(48)</b>	43
Deferred tax on remeasurement (losses)/gains		<b>21</b>	(9)
Total items that will not be classified to profit and loss		<b>(27)</b>	34
<b>Other comprehensive income/(expense) for the year net of tax</b>		<b>2,893</b>	5,847
<b>Total comprehensive income for the year</b>		<b>38,031</b>	35,046
<b>Profit for the year attributable to:</b>			
Owners of the Parent		<b>34,991</b>	29,066
Non-controlling interests		<b>147</b>	133
		<b>35,138</b>	29,199
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent		<b>37,799</b>	34,841
Non-controlling interests		<b>232</b>	205
		<b>38,031</b>	35,046
<b>Earnings per share</b>			
Basic earnings per share	10	<b>9.30p</b>	7.77p
Diluted earnings per share	10	<b>9.27p</b>	7.72p

All results derive from continuing operations.

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

## Statements of Financial Position for the year ended 30 April 2017

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Assets</b>					
Non-current assets					
Goodwill	11	<b>11,812</b>	11,606	-	-
Other intangible assets	11	<b>13,451</b>	8,706	<b>230</b>	5,723
Property, plant & equipment	12	<b>74,989</b>	56,094	<b>9,330</b>	8,383
Investment property	13	<b>662</b>	629	-	-
Investment in associates	14	<b>2,095</b>	1,713	<b>400</b>	400
Investment in subsidiaries	14	-	-	<b>47,437</b>	44,462
Other financial assets – held to maturity	15	<b>2,389</b>	2,253	<b>973</b>	971
Other financial assets – available for sale	15	<b>81</b>	75	-	-
Deferred tax assets	24	<b>3,641</b>	4,216	<b>1,835</b>	2,227
Trade and other receivables	16	<b>2,025</b>	1,548	-	-
		<b>111,145</b>	86,840	<b>60,205</b>	62,166
<b>Current assets</b>					
Inventories	17	<b>19,418</b>	17,094	<b>1,865</b>	1,723
Trade and other receivables	16	<b>18,542</b>	13,010	<b>35,347</b>	4,974
Current tax		<b>288</b>	2,273	-	-
Cash and cash equivalents	18	<b>47,505</b>	71,005	<b>11,535</b>	46,840
		<b>85,753</b>	103,382	<b>48,747</b>	53,537
Assets held for sale		<b>96</b>	96	<b>96</b>	96
Total assets		<b>196,994</b>	190,318	<b>109,048</b>	115,799
<b>Equity</b>					
Share capital	20	<b>1,882</b>	1,877	<b>1,882</b>	1,877
Share premium		<b>8,999</b>	8,156	<b>8,999</b>	8,156
Translation and other reserves		<b>13,249</b>	10,507	<b>1,887</b>	1,660
Retained earnings		<b>103,831</b>	101,101	<b>72,101</b>	57,110
Equity attributable to owners of the Parent		<b>127,961</b>	121,641	<b>84,869</b>	68,803
Non-controlling interests		<b>1,341</b>	1,109	-	-
Total equity		<b>129,302</b>	122,750	<b>84,869</b>	68,803
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Financial liabilities	21	<b>8,192</b>	9,183	-	-
Post-employment benefit obligations	22	<b>5,456</b>	4,755	-	-
Provisions	23	-	10	-	10
Deferred tax liabilities	24	<b>3,087</b>	1,887	-	-
Trade and other payables	25	<b>2,310</b>	1,821	-	200
		<b>19,045</b>	17,656	-	210
<b>Current liabilities</b>					
Financial liabilities	21	<b>2,490</b>	1,660	-	-
Provisions	23	<b>2,072</b>	4,103	-	-
Current tax		<b>4,209</b>	8,341	<b>1,021</b>	997
Trade and other payables	25	<b>39,876</b>	35,808	<b>23,158</b>	45,789
		<b>48,647</b>	49,912	<b>24,179</b>	46,786
<b>Total equity and liabilities</b>		<b>196,994</b>	190,318	<b>109,048</b>	115,799

The accounts were approved by the Board on 27 June 2017.

**Serge Crasnianski**  
Chief Executive Officer

**John Lewis**  
Non-executive Chairman

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

## Group Statement of Cash Flows for the year ended 30 April 2017

	Notes	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Profit before tax		48,039	40,106
Finance cost		256	166
Finance income		(1,488)	(538)
Operating profit		46,807	39,734
Share of post tax profit from associates		(196)	(165)
Amortisation of intangible assets		2,479	1,548
Depreciation of property, plant and equipment		19,944	15,413
Profit/(loss) on sale of property, plant and equipment		(887)	(236)
Exchange differences		(727)	2,031
Other items		(3,877)	(1,615)
Changes in working capital:			
Inventories		(1,088)	(3,665)
Trade and other receivables		(1,534)	52
Trade and other payables		2,377	108
Provisions		(2,045)	(1,775)
Cash generated from operations		61,253	51,430
Interest paid		(256)	(166)
Taxation paid		(11,969)	(10,816)
<b>Net cash generated in operating activities</b>		<b>49,028</b>	<b>40,448</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries net of cash acquired		-	(1,642)
Investment in associates		(361)	(671)
Loans advanced to associates		(1,014)	-
Investment in intangible assets		(6,686)	(3,221)
Proceeds from sale of intangible assets		9	-
Purchase of property, plant and equipment		(36,652)	(21,276)
Proceeds from sale of property, plant and equipment		2,783	1,521
Interest received		75	538
Dividends received from associates		279	-
<b>Net cash utilised in investing activities</b>		<b>(41,567)</b>	<b>(24,751)</b>
<b>Cash flows from financing activities</b>			
Issue of Ordinary shares to equity shareholders		848	1,036
Repayment of capital element of finance leases		(173)	(147)
Repayment of borrowings		(1,630)	(665)
Increase/Increase in borrowings		693	10,946
Increase/Decrease in assets held to maturity		(29)	29
Dividends paid to owners of the Parent	9	(32,629)	(18,217)
<b>Net cash utilised in financing activities</b>		<b>(32,920)</b>	<b>(7,018)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(25,459)</b>	<b>8,679</b>
Cash and cash equivalents at beginning of year		71,005	58,632
Exchange loss on cash and cash equivalents		1,959	3,694
<b>Cash and cash equivalents at end of year</b>	18	<b>47,505</b>	<b>71,005</b>

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

## Company Statement of Cash Flows for the year ended 30 April 2017

	Notes	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Profit before tax		49,623	21,453
Finance cost		69	74
Finance revenue		(373)	(532)
Dividends and other items		(40,084)	(10,692)
Operating profit		9,235	10,303
Amortisation of intangible assets		866	1,073
Depreciation of property, plant and equipment		3,574	3,275
Loss/(profit) on sale of property, plant and equipment		(96)	(255)
Movement in investment provisions and other items		68	(249)
Changes in working capital:			
Inventories		(142)	(909)
Trade and other receivables		(30,373)	3,132
Trade and other payables		(7,216)	16,157
Provisions		(10)	(7)
Cash generated from operations		(24,094)	32,520
Interest paid		(69)	(74)
Taxation paid		(1,656)	(2,098)
<b>Net cash generated from operating activities</b>		<b>(25,819)</b>	<b>30,348</b>
<b>Cash flows from investing activities</b>			
Investment in subsidiaries		(3,069)	(1,851)
Proceeds from disposal of subsidiaries		356	-
Purchase of intangible assets		(410)	(1,617)
Proceeds from sale of intangible assets		5,037	-
Purchase of property, plant and equipment		(5,382)	(3,416)
Proceeds from sale of property, plant and equipment		957	397
Loans advanced to subsidiaries		-	(115)
Interest received		60	532
Dividends received from associates and subsidiaries		40,363	10,692
<b>Net cash generated from investing activities</b>		<b>37,912</b>	<b>4,622</b>
<b>Cash flows from financing activities</b>			
Issue of Ordinary shares to equity shareholders		848	1,036
Borrowings from subsidiaries		-	15,615
Repayment of borrowings from subsidiaries		(15,615)	(7,498)
Increase in assets held to maturity		(2)	(4)
Dividends paid to owners of the Parent	9	(32,629)	(18,217)
<b>Net cash utilised in financing activities</b>		<b>(47,398)</b>	<b>(9,068)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(35,305)</b>	<b>25,902</b>
Cash and cash equivalents at beginning of year		46,840	20,938
<b>Cash and cash equivalents at end of year</b>	18	<b>11,535</b>	<b>46,840</b>

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.



## Group Statement of Changes in Equity for the year ended 30 April 2017

	Share capital £'000	Share premium £'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 2015	1,866	7,131	1,874	2,892	89,744	103,507	904	104,411
Profit for year	-	-	-	-	29,066	29,066	133	29,199
Other comprehensive (expense)/income								
Exchange differences	-	-	-	5,256	-	5,256	72	5,328
Transfers between reserves	-	-	-	485	-	485	-	485
Remeasurement losses in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	43	43	-	43
Deferred tax on remeasurement gains	-	-	-	-	(9)	(9)	-	(9)
Total other comprehensive (expense)/income	-	-	-	5,741	34	5,775	72	5,847
Total comprehensive (expense)/income	-	-	-	5,741	29,100	34,841	205	35,046
Transactions with owners of the Parent								
Shares issued in the period	11	1,025	-	-	-	1,036	-	1,036
Share options	-	-	-	-	413	413	-	413
Deferred tax on share options	-	-	-	-	61	61	-	61
Dividends	-	-	-	-	(18,217)	(18,217)	-	(18,217)
Total transactions with owners of the Parent	11	1,025	-	-	(17,743)	(16,707)	-	(16,707)
At 30 April 2016	1,877	8,156	1,874	8,633	101,101	121,641	1,109	122,750
<b>At 1 May 2016</b>	<b>1,877</b>	<b>8,156</b>	<b>1,874</b>	<b>8,633</b>	<b>101,101</b>	<b>121,641</b>	<b>1,109</b>	<b>122,750</b>
<b>Profit for year</b>	-	-	-	-	<b>34,991</b>	<b>34,991</b>	<b>147</b>	<b>35,138</b>
<b>Other comprehensive (expense)/income</b>								
Exchange differences	-	-	-	3,192	-	3,192	85	3,277
Tax on exchange	-	-	-	1,058	-	1,058	-	1,058
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	(1,415)	-	(1,415)	-	(1,415)
Transfers between reserves	-	-	(93)	-	93	-	-	-
Remeasurement losses in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	(48)	(48)	-	(48)
Deferred tax on remeasurement gains	-	-	-	-	21	21	-	21
<b>Total other comprehensive (expense)/income</b>	-	-	<b>(93)</b>	<b>2,835</b>	<b>66</b>	<b>2,808</b>	<b>85</b>	<b>2,893</b>
<b>Total comprehensive (expense)/income</b>	-	-	<b>(93)</b>	<b>2,835</b>	<b>35,057</b>	<b>37,799</b>	<b>232</b>	<b>38,031</b>
<b>Transactions with owners of the Parent</b>								
Shares issued in the period	5	843	-	-	-	848	-	848
Share options	-	-	-	-	296	296	-	296
Deferred tax on share options	-	-	-	-	6	6	-	6
Dividends	-	-	-	-	(32,629)	(32,629)	-	(32,629)
<b>Total transactions with owners of the Parent</b>	<b>5</b>	<b>843</b>	-	-	<b>(32,327)</b>	<b>(31,479)</b>	-	<b>(31,479)</b>
<b>At 30 April 2017</b>	<b>1,882</b>	<b>8,999</b>	<b>1,781</b>	<b>11,468</b>	<b>103,831</b>	<b>127,961</b>	<b>1,341</b>	<b>129,302</b>

The non-controlling interests in the above table relate to interests not held by the Group in SCI du Lotissement d'Echirolles, where the Group's interest is 61% as described in note 29.

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

The notes on pages 66 to 123 are an integral part of these consolidated financial statements.

## Company Statement of Changes in Equity for the year ended 30 April 2017

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2015	1,866	7,131	1,399	55,163	65,559
Profit for year	-	-	-	19,951	19,951
Other comprehensive expense					
Total comprehensive expense	-	-	-	-	-
Total comprehensive income for year	-	-	-	19,951	19,951
Transactions with owners of the Parent					
Shares issued in period	11	1,025	-	-	1,036
Share options	-	-	-	152	152
Deferred tax on share options	-	-	-	61	61
Capital contributions relating to share-based payments (net of disposals)	-	-	261	-	261
Dividends	-	-	-	(18,217)	(18,217)
Total transactions with owners of the Parent	11	1,025	261	(18,004)	(16,707)
At 30 April 2016	1,877	8,156	1,660	57,110	68,803
<b>At 1 May 2016</b>	<b>1,877</b>	<b>8,156</b>	<b>1,660</b>	<b>57,110</b>	<b>68,803</b>
<b>Profit for year</b>	-	-	-	<b>47,569</b>	<b>47,569</b>
<b>Other comprehensive expense</b>					
<b>Total comprehensive expense</b>	-	-	-	-	-
<b>Total comprehensive income for year</b>	-	-	-	<b>47,569</b>	<b>47,569</b>
<b>Transactions with owners of the Parent</b>					
<b>Shares issued in period</b>	<b>5</b>	<b>843</b>	-	-	<b>848</b>
Share options	-	-	-	69	69
Deferred tax on share options	-	-	-	(18)	(18)
Capital contributions relating to share-based payments (net of disposals)	-	-	227	-	227
Dividends	-	-	-	(32,629)	(32,629)
<b>Total transactions with owners of the Parent</b>	<b>5</b>	<b>843</b>	<b>227</b>	<b>(32,578)</b>	<b>(31,503)</b>
<b>At 30 April 2017</b>	<b>1,882</b>	<b>8,999</b>	<b>1,887</b>	<b>72,101</b>	<b>84,869</b>

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

The notes on pages 66 to 123 are an integral part of these consolidated 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 2017 were authorised for issue by the directors on 27 June 2017 and the statements of financial position were signed by S Crasnianski, Chief Executive Officer and J Lewis, Non-executive Chairman.

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 35.

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

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

### 1 Accounting policies

The principal accounting policies adopted in the preparation of the Group's consolidated financial statements and the Company's individual financial statements are set out below. The policies have been consistently applied, unless otherwise stated, to all the statements presented. New standards adopted for this financial year are shown in note 2 on page 74.

In presenting these financial statements, the directors have followed the Financial Reporting Council's ("FRC") objective in "cutting clutter" with the aim of simplifying notes and descriptions and removing non-material disclosures.

#### 1.1 Basis of preparation

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

#### Going concern

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

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

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

#### 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.  
The recoverable amount of cash generating units (cgus) has been determined by management based on a value in use basis. These calculations require estimates by management, including management's expectations of future growth in revenue, costs and profit margins, cash flows and discount rates.
- 2) Development costs – notes 1.4 and 11.  
Judgement is required in assessing whether the development costs associated with a project meet the criteria for capitalisation and in determining that amounts capitalised continue to be supported by future net cash flows.
- 3) Depreciation and impairment of property, plant and equipment – notes 1.5, 1.8, 12 and 13.  
Management make estimates of the useful life of capitalised development costs and property, plant and equipment as disclosed below in notes 1.4 and 1.5. Technological developments and regulatory changes can impact on the lives of the vending estate. Management consider these factors in assessing the useful lives of the asset.
- 4) Taxation – notes 1.17, 7 and 24.  
The Group is subject to tax in a number of jurisdictions. Determining the overall provision for income taxes involves therefore the interpretation of applicable tax laws and regulations in many jurisdictions throughout the world and

judgement is required. Tax assets and liabilities represent Management's estimates of tax that will be payable or recoverable in the future and may be dependent on estimates of future profitability. Where sufficient uncertainty exists with the interpretation of tax law, tax provisions are recognised when it is considered probable that there will be a future outflow of funds.

#### 5) Provisions – note 23.

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 will be required to settle the obligation and the amount can be reliably estimated. In respect of claims, litigation and other provisions, including property restitution, management make estimates based on anticipated costs where it is considered that an outflow of resources is probable. For all risks the ultimate liability may vary from the amount provided and will be dependent upon the eventual outcome of any settlement.

#### 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 and 1.9 on pages 70 and 71.

#### 1.2 Basis of consolidation

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

#### Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In accessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases. Losses applicable to non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a negative balance.

The principal subsidiaries affecting the results and financial position of the Group are shown in note 29.

#### Changes in ownership of subsidiaries and loss of control

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit and loss. Any interest retained in a subsidiary is measured at fair value when control is lost.

The Group uses the acquisition method of accounting to account for business combinations. Acquisition costs for business combinations are expensed as incurred. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets acquired, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values on acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquiree's previously held interest in the acquiree is re-measured to fair value at the acquisition date, with such gains or losses arising from re-measurement recognised in profit and loss.

#### Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. 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 has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

1 Accounting policies continued

Application of the equity method to associates and joint ventures

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence, or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

The principal associates affecting the results and financial position of the Group are shown in note 29.

Non-controlling interests

Non-controlling interests represent the portion of results for the period and net assets not held by the Group. They are presented separately within the statement of comprehensive income and the statement of financial position.

1.3 Foreign currency translation

The consolidated financial statements and the Company's own financial statements are presented in Sterling being 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. There were no qualifying cash flow hedges in 2017 and 2016.

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. For this purpose net assets includes loans between group companies and any related foreign exchange contracts where settlement is neither planned nor likely to occur in the foreseeable future. Such cumulative exchange differences are released to the income statement on disposal of the subsidiary or associate.

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. On transition to IFRS on 1 May 2004, business combinations were not retrospectively adjusted to comply with Adopted IFRS and goodwill was recognised based on the carrying value under the previous accounting policies. Pre-1 May 2004 goodwill was treated as a sterling asset and is included in these financial statements at that value less any subsequent impairment.

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 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.

1 Accounting policies continued

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

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

1.5 Property, plant and equipment

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

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

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

Freehold buildings	2% – 5% straight-line
Leasehold improvements	over the life of the lease on a straight-line basis
Photobooths and vending machines	10% – 33.33% straight-line
Plant, machinery, furniture, fixtures and motor vehicles	12.5% – 33.33% straight-line or reducing balance
Capitalised finance lease assets	over the shorter of the life of the asset or the life of the lease

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

The critical judgement areas for operating equipment revolve around the useful life of the asset and whether an impairment charge is required. Operating equipment assets are reviewed at least annually for impairment testing.

1.6 Investment property

Certain of the Group's properties are classified as investment properties; being held for long-term investment and to earn rental income. Investment properties are stated at cost and the building element is depreciated to reduce cost to its estimated residual value at rates between 3.33% and 8.33% on a straight-line basis.

1.7 Leases

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

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

Where a Group company acts as a lessor the lease is classified as finance or operating lease and accounted for as follows.

**1 Accounting policies** continued

When assets are leased out under a finance lease, the present value of the lease payments are recognised as a receivable. The rental is allocated between finance income and repayment of capital in each accounting period using the actuarial method, such that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis and the asset is included in the statement of financial position based on the nature of the asset.

**1.8 Impairment**

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

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

**Reversal of impairment**

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

**1.9 Financial assets**

**Group**

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

**(i) Loans and receivables**

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

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

**(ii) Held to maturity financial assets**

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

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

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

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

**(iv) Available-for-sale financial assets**

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

**(v) Recognition and measurement**

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

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

**1 Accounting policies** continued

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and simultaneously settle the liability.

**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.

Finished goods also includes operating equipment not yet sited.

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.

Inventories are stated net of provisions for slow moving and obsolete inventory based on expected future usage.

**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**

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 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.

**1.15 Employee benefits**

**Pension obligations**

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

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

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

**1 Accounting policies continued**

The net obligation for the Group's defined benefit pension schemes is calculated for each scheme separately by estimating the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value amount of plan assets. The calculation is performed by independent actuaries using the projected unit credit actuarial method. If this calculation results in a potential asset for the Group, this asset is only recognised to the present value of the economic benefits available in the form of a refund of contributions paid to the fund or reductions in future contributions. In calculating the present value of any economic benefit consideration is given to any minimum funding requirements.

Re-measurement of the net liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effects of any asset ceiling, are recognised in other comprehensive income. The Group determines the net interest expense (income) on the net liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then net defined liability (asset), taking into account changes in the period as a result of contributions and pension benefits paid. Other expenses are charged to profit and loss.

When plan benefits are changed or the plan curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised in profit and loss. Gains and losses on settlement of any plan are recognised when settlement occurs.

**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 (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.

**Short-term employee benefits**

The Group recognises a liability and an expense for short-term employee benefits (such as holiday pay, bonuses and profit sharing) where these obligations contractually arise (for example, as a result of employment contracts) or where a constructive obligation has arisen from past practice.

**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.

**1 Accounting policies continued**

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, and held in machines up to the year-end date, 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.

Interest income is recognised using the effective interest method and mainly consists of bank interest. It is accounted for as finance 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 Dividend distributions**

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

**1.23 Financial guarantee contracts**

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

**1.24 Government grants**

Grants that compensate the Group for expenses incurred are recognised in profit and loss on a systematic basis in periods in which the expenses are recognised, provided the terms of the grant are satisfied.

**1.25 Specific items**

The presentation and use of Specific items is a non-GAAP measure and the use of this measure may not be comparable to similarly titled measures used by other companies. Specific items are those that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. Management determines whether an item is specific and warrants separate disclosure by considering both qualitative and quantitative factors, such as the frequency or predictability of occurrence. This is consistent with the way operating performance is presented and reported to management.

The directors believe that the presentation of the Group's results in this way is relevant to an understanding of the Group's performance, as Specific items are identified by their size, nature or incidence.

For those years where Specific items are shown in the Group statement of Comprehensive Income an alternative earning per share is shown in the earnings per share note. Alternative earnings per share and alternative diluted earning per share are shown and are calculated on earnings available to Ordinary shareholders excluding specific items.

# Notes to the Financial Statements

## for the year ended 30 April 2017

### 2 New standards, amendments and interpretations

#### New accounting standards Adopted by the Group

The Group has adopted the following new standards and amendments for the first time in these financial statements with no material impact.

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

Equity Method in Separate Financial Statements (Amendment to IAS 27)

Annual Improvements to IFRS 2012-2014 Cycle- various standards

Investment Entities: Applying the consolidation Exemption (Amendment to IFRS 10, IFRS 12 and IAS 28)

Disclosure Initiative (Amendment to IAS1)

#### Not adopted by the Group

The following are the significant new standards that have been issued by the IFRS but adoption is not yet mandatory.

#### IFRS 9 Financial instruments

IFRS 9 Financial Instruments (effective from 1 January 2018) reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement. This standard introduces new classification and measurement requirements of financial instruments, new general hedge accounting requirements and a new expected credit loss model for measuring impairment on financial assets. The Group's initial impression is that adopting this standard will not have a material impact on the financial statements of the Group, given the Group's current profile of financial instruments.

#### IFRS15 Revenue from Contracts with Customers

IFRS15 Revenue from Contracts with Customers (effective from 1 January 2018) replaces the existing Revenue Standard. The new standard is based on the principle that revenue is recognised when control of goods or services is transferred and provides a single principle based standard. A detailed evaluation of the impact of this standard has commenced and is continuing. As the majority of the Group's turnover with external customers comes from vending; over 92% in 2016 91 % in 2017 the impact of this standard is not likely to have a material impact on revenue.

#### IFRS16 Leases

IFRS16 Leases was issued in January 2016 and is effective from 1 January 2019. The standard will replace all existing lease accounting requirements.

The key change for the Group in adopting this standard will be the change in accounting for operating leases. Under the new standard all leases, both operating and finance will appear on the balance sheet. The statement of financial position will be grossed up to show an asset and a liability, with no effect on net assets. The impact on the income statement will be a new interest expense and a depreciation charge in replace of the current operating lease expense. Work has commenced and is continuing to evaluate the impact of this standard and what options will be adopted on transition.

#### Amendment to IAS 7 Statement of Cash flows

The amendment to IAS 7 was generated by the IASB's "Disclosure initiative" project and requires reporting entities to provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities, by disclosing changes in arising from cash flows as well as non-monetary changes. This amendment has not been endorsed by the EU.

The Group already publishes a statement explaining the movement in net cash (see note 19: Net cash).

### 3 Segmental analysis

IFRS 8 requires operating segments to be identified, based on information presented to the Chief Operating Decision Maker (CODM). The Group reports its segments on a geographical basis, Asia, Continental Europe and United Kingdom and Ireland. The CODM, being the Board, regularly reviews operating results on this geographical basis to assess performance and allocate resources within the Group. The Group's European operations are predominately based in Western Europe and with the exception of the Swiss operations use the Euro as their domestic currency. The Board believes that the economic characteristics of the European operations, together with the fact that they are similar in terms of operation, they use common systems for operations and administrative functions and the nature of the regulatory environment allows the European operations to be aggregated into one reporting segment.

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

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

# Notes to the Financial Statements

## for the year ended 30 April 2017

### 3 Segmental analysis continued

The segment results are as follows:

	Asia £'000	Continental Europe £'000	United Kingdom & Ireland £'000	Total £'000
<b>2017</b>				
Total revenue	49,472	124,739	53,870	228,081
Inter segment sales	(128)	(13,069)	(231)	(13,428)
<b>Revenue from external customers</b>	<b>49,344</b>	<b>111,670</b>	<b>53,639</b>	<b>214,653</b>
EBITDA	12,340	46,978	12,349	71,667
Depreciation and amortisation	(3,940)	(13,038)	(5,041)	(22,019)
Operating profit excluding associates and Corporate costs	8,400	33,940	7,308	49,648
Share of post tax profits from associates				196
Corporate costs excluding depreciation and amortisation				(2,633)
Corporate depreciation and amortisation				(404)
<b>Operating profit</b>				<b>46,807</b>
Finance income				1,488
Finance costs				(256)
<b>Profit before tax</b>				<b>48,039</b>
<b>Tax</b>				<b>(12,901)</b>
<b>Profit for year</b>				<b>35,138</b>
Capital expenditure	7,227	20,125	15,301	42,653
Corporate capital expenditure				820
<b>Total capital expenditure</b>				<b>43,473</b>

#### Reconciliation of operating profit

	Asia £'000	Continental Europe £'000	United Kingdom & Ireland £'000	Total £'000
Operating profit before associates	8,400	33,940	7,308	49,648
Share of post-tax profits from associates	196	-	-	196
Corporate operating loss	-	938	(3,975)	(3,037)
Total operating profit	8,596	34,878	3,333	46,807

## Notes to the Financial Statements for the year ended 30 April 2017

### 3 Segmental analysis continued

	Asia £'000	Continental Europe £'000	United Kingdom & Ireland £'000	Total £'000
2016				
Total revenue	45,364	100,816	46,066	192,246
Inter segment sales	(865)	(7,104)	(283)	(8,252)
Revenue from external customers	44,499	93,712	45,783	183,994
EBITDA	13,633	33,881	11,934	59,448
Depreciation and amortisation	(3,134)	(9,718)	(3,973)	(16,825)
Operating profit excluding associates and Corporate costs	10,499	24,163	7,961	42,623
Share of post-tax profits from associates				165
Corporate costs excluding depreciation and amortisation				(2,918)
Corporate depreciation and amortisation				(136)
Operating profit				39,734
Finance income				538
Finance costs				(166)
Profit before tax				40,106
Tax				(10,907)
Profit for year				29,199
Capital expenditure	4,623	13,221	4,669	22,513
Corporate capital expenditure				2,303
Total capital expenditure				24,816

#### Reconciliation of operating profit

	Asia £'000	Continental Europe £'000	United Kingdom & Ireland £'000	Total £'000
Operating profit before associates	10,499	24,163	7,961	42,623
Share of post-tax profits from associates	165	–	–	165
Corporate operating loss	–	737	(3,791)	(3,054)
Total operating profit	10,664	24,900	4,170	39,734

Inter-segment revenue mainly relates to sales of equipment.

## Notes to the Financial Statements for the year ended 30 April 2017

### 3 Segmental analysis continued

The Parent Company is domiciled in the UK. Total revenue from external customers is as follows:

	Group	
	2017 £'000	2016 £'000
<b>Total revenue from external customers</b>		
Asia and rest of the world	<b>49,344</b>	44,499
Europe	<b>115,738</b>	95,960
UK	<b>49,571</b>	43,535
	<b>214,653</b>	183,994

	2017 £'000	2016 £'000
<b>Total revenue from external customers</b>		
Sales of equipment	<b>9,971</b>	6,590
Sales of spare parts, consumables & services	<b>9,249</b>	7,517
Other sales	<b>331</b>	183
	<b>19,551</b>	14,290
Vending revenue	<b>195,102</b>	169,704
Total revenue	<b>214,653</b>	183,994

### 4 Profit for the year

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

	2017 £'000	2016 £'000
<b>Amortisation, depreciation and impairment</b>		
Amortisation of previously capitalised research and development expenditure	<b>1,692</b>	1,015
Amortisation of intangible assets other than research and development	<b>787</b>	533
	<b>2,479</b>	1,548
Depreciation of property, plant and equipment		
– owned	<b>19,763</b>	15,304
– leased	<b>181</b>	109
	<b>19,944</b>	15,413
Amortisation and impairment of capitalised research and development expenditure is reflected in income statement in cost of sales		
Amortisation of intangible assets other than research and development		
– reflected in income statement in cost of sales	<b>864</b>	280
– reflected in income statement in administrative expenses	<b>(77)</b>	253
	<b>787</b>	533

## Notes to the Financial Statements for the year ended 30 April 2017

### 4 Profit for the year continued

	2017 £'000	2016 £'000
<b>Operating lease rentals</b>		
– property	613	396
– plant and equipment	1,025	1,866
	<b>1,638</b>	2,262
<b>Inventory cost</b>		
Cost of inventories recognised as an expense	14,674	11,441
Inventory provision (charged)/reversed	(1,188)	52
	<b>13,486</b>	11,493

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

	2017 £'000	2016 £'000
Other items		
Research and development current year expenditure, not capitalised	181	177
Own work capitalised	(2,987)	(1,842)
Trade receivables impairment (note 15)	(170)	(45)
Net foreign exchange (gains)	(3,142)	(106)
Gains on sale of property, plant and equipment	(887)	(236)
Direct expenses for investment properties generating rental income	84	53

### 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 LLP and its associates.

	2017 £'000	2016 £'000
Audit of these financial statements	86	162
Fees payable to the Company's auditor and its associates for other services		
– audit of the Company's subsidiaries pursuant to legislation	183	131
– other services	21	21
	<b>290</b>	314

	2017 £'000	2016 £'000
Audit fee of the Company	40	60

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 LLP and its associates for non-audit services to the Company itself are not disclosed individually, as they are included above.

## Notes to the Financial Statements for the year ended 30 April 2017

### 4 Profit for the year continued

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

	2017 £'000	2016 £'000
Audit fees	101	67
Other services	-	3
	<b>101</b>	70

### Summary

	2017 £'000	2016 £'000
Total fees paid or payable to all the Groups' auditors for audit and other services were	<b>391</b>	384

### Other operating income

	2017 £'000	2016 £'000
<b>Other operating income</b>	<b>2,203</b>	1,306

Other operating income principally includes rental income from investment property (note 13).

### 5 Employees

Staff costs, including costs relating to the Group's key management personnel, who comprise the directors of the parent company, during the year, amounted to:

	Group	
	2017 £'000	2016 £'000
Wages and salaries	40,658	32,653
Social security costs	8,402	7,096
Share options granted to directors and employees	296	413
Post-employment benefit costs		
– defined benefit schemes	220	228
– defined contribution schemes	289	243
– other post-employment costs	278	243
	<b>50,143</b>	40,876



## Notes to the Financial Statements for the year ended 30 April 2017

### 5 Employees continued

#### Directors' emoluments

Full details of directors' remuneration and share options are given in the Remuneration Report on pages 42 to 52.

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

	Group	
	2017 £'000	2016 £'000
Full – time	975	950
Part – time	418	167
	<b>1,393</b>	1,117
UK: Full – time	296	291
UK: Part – time	257	9
Continental Europe: Full – time	518	507
Continental Europe: Part – time	35	42
Asia and rest of the world: Full – time	161	152
Asia and rest of the world: Part – time	126	116
	<b>1,393</b>	1,117

### 6 Finance income and costs

	2017 £'000	2016 £'000
<b>Finance Income</b>		
Bank interest	69	528
Other interest	7	10
Other financial income	1,412	–
	<b>1,488</b>	538
<b>Finance costs</b>		
Bank loans and overdrafts at amortised cost	241	149
Other loans at amortised costs and finance leases	15	17
	<b>256</b>	166

## Notes to the Financial Statements for the year ended 30 April 2017

### 7 Taxation expense

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

	2017 £'000	2016 £'000
<b>Taxation</b>		
<b>Current taxation</b>		
UK Corporation tax		
– current year	2,641	1,965
– prior years	(26)	(15)
	<b>2,615</b>	1,950
Overseas taxation		
– current year	8,917	9,023
– prior years	(333)	(64)
	<b>8,584</b>	8,959
<b>Total current taxation</b>	<b>11,199</b>	10,909
<b>Deferred taxation</b>		
Origination and reversal of temporary differences		
– current year – UK	326	(520)
– current year – overseas	1,225	256
Adjustments to estimated recoverable amounts of deferred tax assets arising in previous years		
– UK	201	(15)
– Overseas	(124)	205
Impact of change in rate	74	72
<b>Total deferred tax</b>	<b>1,702</b>	(2)
<b>Tax charge in the statement of comprehensive income</b>	<b>12,901</b>	10,907

Tax relating to items charged to other components of comprehensive income.

	2017 £'000	2016 £'000
Corporation tax	1,058	485
Deferred tax	27	52
Tax credit in other comprehensive income	1,085	537

## Notes to the Financial Statements for the year ended 30 April 2017

### 7 Taxation expense continued

#### Reconciliation of total tax charge

The difference between the Group tax charge and the standard UK corporation tax rate of 19.92% (2016: 20.0%) is explained below:

	2017 £'000	2016 £'000
Profit before tax	48,039	40,106
Tax using the UK corporation tax rate of 19.92% (2016: 20.0%)	9,569	8,021
Effect of:		
– non-taxable items	(254)	(227)
– change in UK tax rates	60	112
– overseas tax rates	3,809	3,598
– losses not recognised in deferred tax (relieved)\incurred	(1)	(708)
– adjustments to tax in respect of prior years	(282)	111
<b>Total tax charge</b>	<b>12,901</b>	<b>10,907</b>
<b>Effective tax rate</b>	<b>26.9%</b>	<b>27.2%</b>

### 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 £47,569,000 (2016: £19,951,000), including dividends received from subsidiaries.

### 9 Dividends paid and proposed

	2017		2016	
	Pence per share	£'000	Pence per share	£'000
<b>Interim</b>				
2016 paid on 12 May 2016	2.575	9,669	–	–
2015 paid on 14 May 2015	–	–	2.340	8,733
<b>Final</b>				
2016 paid 10 November 2016	3.285	12,365	–	–
2015 paid on 12 November 2015	–	–	2.540	9,484
<b>Special</b>				
2016 paid 10 November 2016	2.815	10,595	–	–
	<b>8.675</b>	<b>32,629</b>	4.880	18,217

#### Year ended 30 April 2017 – Proposed dividends not yet paid

The Board declared an interim dividend of 3.09p per share for the year ended 30 April 2017, amounting to £11,633,000 which was paid on 11 May 2017. The Board proposes a final dividend for the year ended 30 April 2017 of 3.94p per share, which is subject to shareholders' approval at the Annual General Meeting to be held on 25 October 2017.

#### Year ended 30 April 2016 – Paid after 30 April 2016

The Board declared an interim dividend of 2.575p per share for the year ended 30 April 2016, amounting to £9,669,000 which was paid on 12 May 2016. The Board proposed a final dividend for the year ended 30 April 2016 of 3.285p per share, amounting to £12,365,000 which was paid 10 November 2016 and a special dividend of 2.815p per share which was paid on 10 November 2016.

## Notes to the Financial Statements for the year ended 30 April 2017

### 10 Earnings per share

Basic earnings per share amounts are calculated by dividing net earnings attributable to shareholders of the Parent of £34,991,000 (2016: £29,066,000) by the weighted average number of shares in issue during the year, excluding those held, where applicable, as treasury shares.

Diluted earnings per share amounts are calculated by dividing the net earnings attributable to shareholders of the Parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. The Group has only one category of dilutive potential 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:

	2017			2016		
	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	34,991	376,141	9.30	29,066	374,121	7.77
Effect of dilutive share options		1,321	(0.03)		2,514	(0.05)
Diluted earnings per share	34,991	377,462	9.27	29,066	376,635	7.72

Potential shares (for example, arising from exercising share options) are treated as dilutive only when their conversion to shares would decrease basic earnings per share or increase loss per share from continuing operations.

### 11 Goodwill and other intangible assets

#### Goodwill

#### Group

	£'000
<b>Cost:</b>	
At 1 May 2015	10,476
Exchange difference	154
Additions	1,273
At 30 April 2016	11,903
<b>At 1 May 2016</b>	<b>11,903</b>
<b>Exchange difference</b>	<b>207</b>
<b>At 30 April 2017</b>	<b>12,110</b>
Impairment charges:	
At 1 May 2015	296
Exchange difference	1
At 30 April 2016	297
<b>At 1 May 2016</b>	<b>297</b>
<b>Exchange difference</b>	<b>1</b>
<b>At 30 April 2017</b>	<b>298</b>
Net book value:	
<b>At 1 May 2017</b>	<b>11,812</b>
At 1 May 2016	11,606
At 1 May 2015	10,180

The addition to goodwill in 2016 relates to the acquisition of operations in the United Kingdom.

## Notes to the Financial Statements for the year ended 30 April 2017

### 11 Goodwill and other intangible assets continued

#### Company

The Company has no goodwill.

#### Goodwill by segments and Impairment of goodwill

The table below shows the allocation of goodwill acquired through business combinations between segments.

Goodwill has been allocated for impairment testing purposes to eight (2016: seven) cash-generating units (CGUs); allocated between geographical areas and activity in accordance with impairment testing in the prior year:

Carrying amount	Total	
	2017 £'000	2016 £'000
<b>UK &amp; Ireland</b>		
CGU 1	154	154
CGU 2	14	14
CGU 3	317	317
CGU 4	1,273	1,273
<b>Total UK &amp; Ireland</b>	<b>1,758</b>	<b>1,758</b>
<b>Continental Europe</b>		
CGU 1 – France	301	280
CGU 2 – Germany	1,934	1,797
CGU 3 – Switzerland	574	526
<b>Total Continental Europe</b>	<b>2,809</b>	<b>2,603</b>
<b>Asia</b>		
CGU 1 – Japan	7,245	7,245
<b>Total Asia</b>	<b>7,245</b>	<b>7,245</b>
<b>Total</b>	<b>11,812</b>	<b>11,606</b>

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% (2016: 3%)

The growth rate has been determined based on a conservative basis for 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 6.5–7.8% (2016: 8–11%)

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: United Kingdom 7.7%, (2016: 8.7%), Ireland 7.6% (2016: 8.1%), France 7.5% (2016: 7.8%), Germany 6.9% (2016: 7.5%), Switzerland 6.5% (2016: 7.3%) and Japan 6.5% (2016: 7.3%). 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, no impairment losses were recognised in 2017 (2016: none).

## Notes to the Financial Statements for the year ended 30 April 2017

### 11 Goodwill and other intangible assets continued

#### Other intangible assets

#### Group

	Research & development costs £'000	Other intangible assets £'000	Total £'000
<b>Cost:</b>			
At 1 May 2015	8,276	7,585	15,861
Exchange differences	577	396	973
Additions			
– Subsidiaries acquired	–	255	255
– Internally generated	2,935	–	2,935
– External	–	286	286
Reclassifications	–	56	56
Disposals	(5,675)	(578)	(6,253)
At 30 April 2016	6,113	8,000	14,113
At 1 May 2016	<b>6,113</b>	<b>8,000</b>	<b>14,113</b>
Exchange differences	<b>364</b>	<b>513</b>	<b>877</b>
Additions			
– Subsidiaries acquired	–	–	–
– Internally generated	<b>2,390</b>	–	<b>2,390</b>
– External	–	<b>4,296</b>	<b>4,296</b>
Reclassifications	–	<b>13</b>	<b>13</b>
Disposals	<b>(984)</b>	<b>(165)</b>	<b>(1,149)</b>
<b>At 30 April 2017</b>	<b>7,883</b>	<b>12,657</b>	<b>20,540</b>
<b>Amortisation:</b>			
At 1 May 2015	5,634	3,720	9,354
Exchange differences	457	189	646
Subsidiaries acquired	–	1	1
Provided during year	1,015	533	1,548
Reclassifications	–	43	43
Disposals	(5,675)	(510)	(6,185)
At 30 April 2016	1,431	3,976	5,407
At 1 May 2016	<b>1,431</b>	<b>3,976</b>	<b>5,407</b>
Exchange differences	<b>61</b>	<b>269</b>	<b>330</b>
Provided during year	<b>1,692</b>	<b>787</b>	<b>2,479</b>
Disposals	<b>(984)</b>	<b>(156)</b>	<b>(1,140)</b>
Reclassifications	–	<b>13</b>	<b>13</b>
<b>At 30 April 2017</b>	<b>2,200</b>	<b>4,889</b>	<b>7,089</b>
<b>Net book value:</b>			
<b>At 30 April 2017</b>	<b>5,683</b>	<b>7,768</b>	<b>13,451</b>
At 30 April 2016	4,682	4,024	8,706
At 30 April 2015	2,642	3,865	6,507

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

Included in the net book value of other intangible assets is £3,216,000 corresponding to droit de bail (2016: £2,343,000 and 2015: £2,194,000). Also included is £2,846,000 relating to a licence which grants right to use space in Asda stores. The useful life of this intangible asset is finite and is being amortised over a 10 year period to October 2026. This amortisation is included within cost of sales.

## Notes to the Financial Statements for the year ended 30 April 2017

### 11 Goodwill and other intangible assets continued

Droit de bail, which occur in France, are payments made for the right to occupy a space to site vending equipment. The Group has control over the use of these rights and has classified them as having an indefinite life, as the Group considers that there is no foreseeable limit to the period in which they can be utilised. 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 at least once a year and more frequently if there is an indication that they may be impaired. If their fair value is less than their carrying value, an impairment loss is recognised and charged to cost of sales. 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

	Research & development costs £'000	Other intangible assets £'000	Patents & trade marks £'000	Total £'000
<b>Cost:</b>				
At 1 May 2015	–	1,600	5,506	7,106
Additions				
– Internally generated	1,457	–	–	1,457
– External	–	160	–	160
Disposals	–	–	–	–
– External	–	(475)	–	(475)
At 30 April 2016	1,457	1,285	5,506	8,248
At 1 May 2016	<b>1,457</b>	<b>1,285</b>	<b>5,506</b>	<b>8,248</b>
Additions				
– Internally generated	<b>376</b>	–	–	<b>376</b>
– External	–	<b>34</b>	–	<b>34</b>
Disposals				
– Internal	<b>(1,833)</b>	<b>(431)</b>	<b>(5,506)</b>	<b>(7,770)</b>
– External		<b>(108)</b>	–	<b>(108)</b>
<b>At 30 April 2017</b>	<b>–</b>	<b>780</b>	<b>–</b>	<b>780</b>
<b>Amortisation:</b>				
At 1 May 2015	–	826	1,101	1,927
Provided during year	243	279	551	1,073
Disposals	–	–	–	–
– External	–	(475)	–	(475)
At 30 April 2016	243	630	1,652	2,525
At 1 May 2016	<b>243</b>	<b>630</b>	<b>1,652</b>	<b>2,525</b>
Provided during year	<b>314</b>	<b>275</b>	<b>277</b>	<b>866</b>
Disposals				
– Internal	<b>(557)</b>	<b>(247)</b>	<b>(1,929)</b>	<b>(2,733)</b>
– External	–	<b>(108)</b>	–	<b>(108)</b>
<b>At 30 April 2017</b>	<b>–</b>	<b>550</b>	<b>–</b>	<b>550</b>
<b>Net book value:</b>				
<b>At 30 April 2017</b>	<b>–</b>	<b>230</b>	<b>–</b>	<b>230</b>
At 30 April 2016	1,214	655	3,854	5,723
At 30 April 2015	–	774	4,405	5,179

Internal disposals in the year ended 30 April 2017 of research and development, other intangible assets and patents and trademarks relate to transfers to a fellow UK subsidiary.

## Notes to the Financial Statements for the year ended 30 April 2017

### 12 Property, plant and equipment

#### Group

	Land & Buildings £'000	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
<b>Cost:</b>				
At 1 May 2015	6,413	165,899	23,747	196,059
Exchange difference	437	12,376	1,608	14,421
Additions				
– new subsidiaries	278	–	590	868
– internal	–	925	–	925
– external	192	18,477	1,861	20,530
Reclassifications	–	14	(14)	–
Transfer to assets held for sale	(1,542)	–	–	(1,542)
Disposals	(719)	(9,381)	(2,321)	(12,421)
At 30 April 2016	<b>5,059</b>	<b>188,310</b>	<b>25,471</b>	<b>218,840</b>
Exchange difference	<b>331</b>	<b>12,247</b>	<b>1,804</b>	<b>14,382</b>
Additions				
– internal	–	<b>1,381</b>	–	<b>1,381</b>
– external	<b>515</b>	<b>32,406</b>	<b>2,485</b>	<b>35,406</b>
Reclassifications	–	<b>(77)</b>	<b>77</b>	–
Disposals	<b>(284)</b>	<b>(15,984)</b>	<b>(1,700)</b>	<b>(17,968)</b>
<b>At 30 April 2017</b>	<b>5,621</b>	<b>218,283</b>	<b>28,137</b>	<b>252,041</b>
Depreciation				
At 1 May 2015	5,066	122,812	19,918	147,796
Exchange difference	366	10,046	1,390	11,802
New subsidiary	28	–	291	319
Provided during year	55	14,507	849	15,411
Reclassifications	–	5	(5)	–
Transfers to assets held for sale	(1,446)	–	–	(1,446)
Disposals	(302)	(8,728)	(2,106)	(11,136)
At 30 April 2016	<b>3,767</b>	<b>138,642</b>	<b>20,337</b>	<b>162,746</b>
Exchange difference	<b>278</b>	<b>8,732</b>	<b>1,430</b>	<b>10,440</b>
Provided during year	<b>92</b>	<b>18,673</b>	<b>1,164</b>	<b>19,929</b>
Reclassifications	–	<b>(15)</b>	<b>15</b>	–
Disposals	<b>(138)</b>	<b>(14,334)</b>	<b>(1,591)</b>	<b>(16,063)</b>
<b>At 30 April 2017</b>	<b>3,999</b>	<b>151,698</b>	<b>21,355</b>	<b>177,052</b>
<b>Net book value:</b>				
<b>At 30 April 2017</b>	<b>1,622</b>	<b>66,585</b>	<b>6,782</b>	<b>74,989</b>
At 30 April 2016	1,292	49,668	5,134	56,094
At 30 April 2017	1,347	43,087	3,829	48,263

Internal additions for photoboosts and vending machines of £1,381,000 (2016: £925,000) relate to own work capitalised, being equipment produced by the subsidiaries and capitalised by the group companies.

## Notes to the Financial Statements for the year ended 30 April 2017

### 12 Property, plant and equipment continued

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

	2017	2017	2016	2016
	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000
Net book value	-	473	-	483
Additions/reclassifications	-	135	-	319
Depreciation charge	-	181	-	109

Assets held for sale at 30 April 2016 and 30 April 2017 for both the Group and the Company of £96,000 consist of a Group property.

#### Company

	Land & Buildings £'000	Photoboosts and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
<b>Cost:</b>				
At 1 May 2015	1,642	35,681	1,054	38,377
Additions				
- internal	-	3,092	-	3,092
- external	-	274	50	324
Transfer to assets held for sale	(1,542)	-	-	(1,542)
Disposals				
- internal	-	(41)	-	(41)
- external	-	(2,197)	(41)	(2,238)
<b>At 30 April 2016</b>	<b>100</b>	<b>36,809</b>	<b>1,063</b>	<b>37,972</b>
Additions				
- internal	-	4,788	-	4,788
- external	-	396	198	594
Disposals				
- internal	-	(41)	(130)	(171)
- external	(92)	(3,630)	(716)	(4,438)
<b>At 30 April 2017</b>	<b>8</b>	<b>38,322</b>	<b>415</b>	<b>38,745</b>
Depreciation				
At 1 May 2015	1,545	27,351	1,001	29,897
Provided during year	1	3,240	34	3,275
Transfers to assets held for sale	(1,446)	-	-	(1,446)
Disposals				
- internal	-	(5)	-	(5)
- external	-	(2,091)	(41)	(2,132)
<b>At 30 April 2016</b>	<b>100</b>	<b>28,495</b>	<b>994</b>	<b>29,589</b>
Provided during year	-	3,540	34	3,574
Disposals				
- internal	-	(5)	(81)	(86)
- external	(92)	(2,849)	(721)	(3,662)
<b>At 30 April 2017</b>	<b>8</b>	<b>29,181</b>	<b>226</b>	<b>29,415</b>
<b>Net book value:</b>				
<b>At 30 April 2017</b>	-	9,141	189	9,330
At 30 April 2016	-	8,314	69	8,383
At 30 April 2015	97	8,330	53	8,480

## Notes to the Financial Statements for the year ended 30 April 2017

### 12 Property, plant and equipment continued

Internal additions for photoboosts and vending machines of £4,788,000 (2016: £3,092,000) relate to new equipment produced by subsidiaries and equipment previously capitalised by the Group's subsidiaries and sold to the parent. Internal disposals relate to disposals to subsidiary companies.

### 13 Investment property

#### Group

	£'000
<b>Cost:</b>	
At 1 May 2015	10,936
Exchange difference	790
Additions	140
At 30 April 2016	<b>11,866</b>
Exchange difference	<b>908</b>
<b>At 30 April 2017</b>	<b>12,774</b>
Depreciation	
At 1 May 2015	10,478
Exchange difference	757
Provided during year	2
At 30 April 2016	<b>11,237</b>
Exchange difference	<b>860</b>
Provided during year	<b>15</b>
<b>At 30 April 2017</b>	<b>12,112</b>
<b>Net book value:</b>	
<b>At 30 April 2017</b>	<b>662</b>
At 30 April 2016	629
At 30 April 2015	458

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 €2,188,000 (£1,842,000).

The Board believes at 30 April 2017; the property continues to be worth more than its £662,000 net book value. The valuations for future years are expected to increase due to the passage of time and the unwinding of the related deferred rental income creditor.

Rental income from the investment property was £1,038,000 (2016: £903,000) (note 4) and finance costs were £21,000 (2016: £32,000).

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

## Notes to the Financial Statements for the year ended 30 April 2017

### 13 Investment property continued

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

	2017 £'000	2016 £'000
No later than one year	1,033	956
After one year but no more than five years	1,033	1,912
	<b>2,066</b>	<b>2,868</b>

#### Company

The Company has no investment property.

### 14 Investments in associates and subsidiaries

#### Investment in associates

##### Group

	£'000
<b>Cost:</b>	
At 30 April 2015	848
Exchange differences	29
Additions	671
Share of profits	165
At 30 April 2016	<b>1,713</b>
Exchange differences	<b>104</b>
Additions	<b>361</b>
Share of profits	<b>196</b>
Dividends	<b>(279)</b>
<b>At 30 April 2017</b>	<b>2,095</b>

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 2016						
Max Sight Ltd	Hong Kong	682	125	662	173	33.33
Photo Direct Pty Ltd	Australia	419	121	784	(8)	26.95
Stilla Technologies SA	France	817	-	-	-	40.00
Other associates		76	35	91	-	
		<b>1,994</b>	<b>281</b>	<b>1,537</b>	<b>165</b>	
<b>At 30 April 2017</b>						
Max Sight Ltd	Hong Kong	<b>604</b>	<b>79</b>	<b>777</b>	<b>163</b>	<b>33.33</b>
Photo Direct Pty Ltd	Australia	<b>418</b>	<b>74</b>	<b>886</b>	<b>30</b>	<b>26.95</b>
Stilla Technologies SA	France	<b>1,178</b>	-	-	-	<b>50.00</b>
Other associates		<b>91</b>	<b>43</b>	<b>107</b>	<b>3</b>	
		<b>2,291</b>	<b>196</b>	<b>1,770</b>	<b>196</b>	

Included in associates is an investment in Stilla Technologies SA, a French company which provides researchers with a universal and flexible digital PCR (dPCR) solution for genetic testing.

The Group has increased its holding in this company during the year.

## Notes to the Financial Statements for the year ended 30 April 2017

### 14 Investments in associates and subsidiaries continued

#### Company

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
<b>Costs:</b>			
At 1 May 2015	407	42,793	43,200
Additions	-	2,251	2,251
Capital increase relating to share-based payment (net)	-	261	261
At 30 April 2016	<b>407</b>	<b>45,305</b>	<b>45,712</b>
Additions	-	<b>3,069</b>	<b>3,069</b>
Capital increase relating to share-based payment (net)	-	<b>227</b>	<b>227</b>
Disposals	-	<b>(771)</b>	<b>(771)</b>
<b>At 30 April 2017</b>	<b>407</b>	<b>47,830</b>	<b>48,237</b>
<b>Provision:</b>			
At 1 May 2015	150	1,103	1,253
Increase	7	3	10
Decrease	(150)	(263)	(413)
At 30 April 2016	<b>7</b>	<b>843</b>	<b>850</b>
Increase	-	-	-
Decrease	-	<b>(450)</b>	<b>(450)</b>
<b>At 30 April 2017</b>	<b>7</b>	<b>393</b>	<b>400</b>
<b>Net book value:</b>			
<b>At 30 April 2017</b>	<b>400</b>	<b>47,437</b>	<b>47,837</b>
At 30 April 2016	400	44,462	44,862
At 30 April 2015	257	41,690	41,947

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

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

### 15 Financial instruments

#### Group Treasury

During the current year ending 30 April 2017, the Group's centralised Treasury Function operated, having become operational in the previous year. The primary aim for this function is to manage liquidity and funding arrangements and the Group's exposure to associated financial and market risks, including credit risk, interest rate risk and foreign currency risk. The general approach for Group Treasury is one of risk reduction within a framework of delivering total shareholder return.

#### Treasury operations

##### Overview and policy

Treasury policy is set by the Board. Group treasury activities are subject to a set of controls appropriate for the magnitude of the borrowing, investments and group wide exposures. To date the treasury function has limited itself to obtaining surplus cash from the subsidiaries and depositing this in bank accounts owned by the Parent Company. Depending on the exchange rate determined by the Board bank balances may be converted into sterling, thus creating an exchange rate exposure for the Parent but protecting the Group's total net cash position. The Board has defined an investment strategy, amounts and types of products to which the surplus cash may be invested.

The Board will monitor the performance of the Treasury function and will be responsible for making changes to the personnel and limits of authority of Treasury personnel.

## Notes to the Financial Statements for the year ended 30 April 2017

### 15 Financial instruments continued

The Board has provided written principles for overall risk management of the Treasury Function. It has also defined policies and procedures covering such areas as foreign exchange risk, interest rate risk, credit risk, the use of derivative instruments and investment of excess liquidity (surplus funds above the immediate and short-term operational funding needs, such as working capital requirements).

#### Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations in settling its financial liabilities. The Group's approach to managing liquidity risk is to ensure that it has sufficient funds to meet its liabilities when due without incurring unacceptable losses. A material and sustained shortfall in the Group's cash flow could undermine the Group's credit rating, impair major investor confidence and restrict the ability of the Group to raise new funds.

The Group maintained a strong net cash position throughout the year and preceding year as a result of cash generation from the business.

During the current year and prior year surplus cash held by the operating subsidiaries, over and above balances required for working capital management was transferred to Group Treasury. These funds were kept in their local currency, or converted into sterling and kept in Parent Company bank accounts which are interest bearing.

The key objectives for Group Treasury are to protect the principal value of cash and cash equivalents, to concentrate cash at the centre to minimise external borrowings, and to maximise the return on cash.

The strong cash generation and retention from the business together with available credit resources help mitigate liquidity risk.

The Group may hold financial instruments (such as bank and other loans) to finance its day to day working capital requirements, for capital expenditure, for corporate transactions (such as dividend payments to shareholders, share buybacks, acquisitions), for the management of currency and interest rate exposure arising from its operations (which may involve the use of derivatives and swaps) and for the temporary investment of short-term funds. With a strong net cash position, the Group largely finances its working capital and capital expenditure programmes from its own resources. In addition, financial instruments such as trade receivables (amounts due from customers as a result of a sale) and trade payables (arising from purchases of materials and services) arise from day to day trading.

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

### 15 (a) Fair values of financial instruments by class

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

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

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

#### Trade and other receivables

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

#### Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as at 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.

## Notes to the Financial Statements for the year ended 30 April 2017

### 15 (a) Fair values of financial instruments by class continued

#### 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.

IFRS13 requires an analysis of financial instruments carried at fair value by valuation method as follows.

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as process) or indirectly (that is derived from process)

Level 3 – inputs for assets or liability that are not based on observable market data

The Group's financial instruments are fair valued at level 2.

#### Financial instruments by category

The tables below show financial instruments by category

At 30 April 2017	Loans and receivables £'000	Available for sale £'000	Total £'000
<b>Assets per statement of financial position</b>			
<b>Other financial assets – held to maturity</b>	<b>2,389</b>	<b>–</b>	<b>2,389</b>
<b>Other financial assets – available for sale</b>	<b>–</b>	<b>81</b>	<b>81</b>
<b>Trade and other receivables</b>	<b>17,080</b>	<b>–</b>	<b>17,080</b>
<b>Cash and cash equivalents</b>	<b>47,505</b>	<b>–</b>	<b>47,505</b>
	<b>66,974</b>	<b>81</b>	<b>67,055</b>

	Other financial liabilities at amortised cost £'000	Total £'000
<b>Liabilities per statement of financial position</b>		
<b>Borrowings</b>	<b>10,238</b>	<b>10,238</b>
<b>Leases</b>	<b>444</b>	<b>444</b>
<b>Trade and other payables excluding non – financial liabilities</b>	<b>39,486</b>	<b>39,486</b>
	<b>50,168</b>	<b>50,168</b>

At 30 April 2016	Loans and receivables £'000	Available for sale £'000	Total £'000
<b>Assets per statement of financial position</b>			
Other financial assets – held to maturity	2,253	–	2,253
Other financial assets – available for sale	–	75	75
Trade and other receivables	12,247	–	12,247
Cash and cash equivalents	71,005	–	71,005
	85,505	75	85,580

**15 (a) Fair values of financial instruments by class** continued

	Other financial liabilities at amortised cost £'000	Total £'000
Liabilities per statement of financial position		
Borrowings	10,381	10,381
Leases	462	462
Trade and other payables excluding non – financial liabilities	34,005	34,005
	44,848	44,848

**15 (b) Financial statement risk management**

Financial risk factors and financial risk management.

**Overview**

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

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

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

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

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

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

**Risk Management Framework**

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

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

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

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

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

**15 (b) Financial statement risk management** continued

**(i) Credit risk**

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

**Credit quality of financial assets**

Individual Group companies have banking relationships with leading banks in the country in which the Group company operates. Surplus cash is placed with Group Treasury bank accounts, as described above. 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 are normally interest free. The normal terms of settlement are between 30 and 90 days. The balance due from Associates of £1,015,000 consists of an interest-bearing loan, based on Euribor plus a margin. Other receivables and prepayments and accrued income are interest free.

The movements in provisions are as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 May	420	385	591	715
Exchange differences	33	70	–	38
Charged/(Credited) to income statement	(170)	(45)	16	(162)
Utilised and other movements	(1)	10	–	–
At 30 April	282	420	607	591

At 30 April 2017, trade receivables of £2,913,000 (2016: £978,000) 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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current	8,475	5,910	804	712
Past due				
– overdue 1-30 days	545	210	18	12
– overdue 31-60 days	382	54	6	7
– overdue 61 days	1,986	714	91	179
Total past due	2,913	978	115	198
Total trade receivables	11,388	6,888	919	910

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 £33,272,000 (2016: £3,095,000) are all current.



# Notes to the Financial Statements

## for the year ended 30 April 2017

### 15 (b) Financial statement risk management continued

#### (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 2017 and 30 April 2016 has reduced liquidity risk for the Group.

The Group has adequate undrawn facilities and 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 and may be subject to the normal covenant conditions attached to such borrowings.

Certain lending banks may impose loan covenants on borrowings, which are normal for these types of borrowings, and, during the years to 30 April 2017 and 30 April 2016, the Group and the Company have comfortably complied with such requirements.

The table below summarises the maturity profile of the Group's and Company's financial liabilities (including trade and other payables) at 30 April 2017 and 30 April 2016 based on contractual undiscounted payments.

#### Group 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
<b>At 30 April 2017</b>							
Interest bearing loans and borrowings and interest free loans	2,459	1,765	1,765	1,765	1,765	1,105	10,624
Finance leases	146	141	104	45	8	-	444
Rental payments	1,032	810	-	-	-	-	1,842
Trade and other payables	36,144	750	750	-	-	-	37,644
	<b>39,781</b>	<b>3,466</b>	<b>2,619</b>	<b>1,810</b>	<b>1,773</b>	<b>1,105</b>	<b>50,554</b>
<b>At 30 April 2016</b>							
Interest bearing loans and borrowings and interest free loans	1,633	1,633	1,633	1,633	1,633	2,794	10,959
Finance leases	156	141	104	69	17	-	487
Rental payments	810	810	811	-	-	-	2,431
Trade and other payables	31,374	200	-	-	-	-	31,574
	<b>33,973</b>	<b>2,784</b>	<b>2,548</b>	<b>1,702</b>	<b>1,650</b>	<b>2,794</b>	<b>45,451</b>

#### Company 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
<b>At 30 April 2017</b>							
Trade and other payables	22,375	-	-	-	-	-	22,375
Interest bearing group balances including interest	-	-	-	-	-	-	-
	<b>22,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,375</b>
<b>At 30 April 2016</b>							
Trade and other payables	29,453	200	-	-	-	-	29,653
Interest bearing group balances including interest	70	15,685	-	-	-	-	15,755
	<b>29,523</b>	<b>15,885</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,408</b>

#### Held to maturity financial assets

These largely comprise of restricted bank deposit accounts where the cash acts as security against possible shortfalls in the funding required to meet future payments in the course of business.

# Notes to the Financial Statements

## for the year ended 30 April 2017

### 15 (b) Financial statement 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. 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, 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.

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

##### IFRS 7 sensitivity analysis

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

	Reported £'000	10% increase £'000	10% decrease £'000
<b>2017</b>			
<b>Profit for the year</b>	<b>35,138</b>	<b>35,388</b>	<b>34,815</b>
<b>Total equity</b>	<b>129,302</b>	<b>129,537</b>	<b>128,998</b>
<b>2016</b>			
Profit for the year	29,199	28,537	29,993
Total equity	122,750	121,957	123,630

The exposure in the above sensitivity table is the result of the Group companies having assets (cash and trade and other receivables) and liabilities (trade and other payables) in currencies other than their domestic currency, including intergroup balances. At April 2017, the exposure consisted of a net exposure in Sterling of £100,000 and in Euro of £157,000 (2016: Sterling of £1,529,000 and Euro of £238,000).

##### Borrowings

At 30 April 2017 and 30 April 2016, the Group had no borrowings which were not denominated in the functional currency of the Group company concerned.

## Notes to the Financial Statements for the year ended 30 April 2017

### 15 (b) Financial statement risk management continued

#### Analysis of net cash by currency

Group	Bank £'000	Financial assets £'000	Loans £'000	Leases £'000	Total £'000
2017					
Sterling	12,940	973	–	(50)	13,863
Euro	23,972	692	(9,545)	(23)	15,096
Swiss Franc	4,045	724	–	–	4,769
US Dollar	135	–	–	–	135
Japanese yen	5,200	–	(693)	(371)	4,136
Other currencies	1,213	–	–	–	1,213
	<b>47,505</b>	<b>2,389</b>	<b>(10,238)</b>	<b>(444)</b>	<b>39,212</b>
2016					
Sterling	30,103	971	–	(85)	30,989
Euro	26,870	662	(10,381)	(35)	17,116
Swiss Franc	2,383	620	–	–	3,003
US Dollar	128	–	–	–	128
Japanese yen	9,820	–	–	(342)	9,478
Other currencies	1,701	–	–	–	1,701
	71,005	2,253	(10,381)	(462)	62,415

#### Interest rate risk

	2017 £'000	2016 £'000
<b>Net cash</b>		
Mainly non-interest bearing current accounts:		
– Cash at bank and in hand	47,094	38,368
Deposit accounts – generally interest bearing:		
– Bank deposit accounts	411	32,637
– Restricted deposit accounts	2,389	2,253
<b>Other items</b>		
Interest free and interest bearing loans	(10,238)	(10,381)
Interest bearing finance leases	(444)	(462)
	<b>39,212</b>	62,415

The above table shows which components of net debt are subject to interest. With the current low interest rates for bank base rates worldwide, the interest which can be earned on bank deposits is low. The Group's exposure to floating rate interest bearing debt is small and a change in interest rates will not have a material change on interest expense.

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 2017 and 30 April 2016.

#### IFRS 7 sensitivity analysis

With current low interest rates and the Group's low level of debt financing, the impact on the total interest payable charges due to a change of 100 basis points (1%) on borrowings subject to floating rates of interest is not material. Consequently, no sensitivity tables have been presented. The Group has total loans outstanding at 30 April 2017 of £10,238,000, of which £9,545,000 (30 April 2016 of £10,381,000) are subject to a fixed interest rate of 1.2%. An increase of 1% in the fixed rate of interest would result in an extra £ 95,000 interest expense.

## Notes to the Financial Statements for the year ended 30 April 2017

### 15 (b) Financial statement risk management continued

#### Terms and debt repayment schedule

The table below shows the maturity profile and interest rates of the Groups borrowings at 30 April 2017 and 30 April 2016. 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 Company has no external loans outstanding at 30 April 2017 (2016: none).

Group	Status	Currency	Interest rate	Year of maturity	2017 Carrying amount £'000	2016 Carrying amount £'000
Finance leases	Fixed rate	Various	0.0% – 7.2%	2022	444	462
Loans	Fixed rate	Euro	1.20%	2023	9,545	10,381
Loans	Fixed rate	YPY	1.48%	2018	693	–
					<b>10,682</b>	10,843

#### Price risk

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

### 15 (c) Capital risk management

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

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

#### Group

The Group is funded by share capital and retained earnings; supplemented by external borrowing as required. The Group has had a strong net cash position throughout the current and comparative year.

#### Subsidiary companies

Subsidiary companies are funded by share capital and retained earnings, and where applicable local borrowings by the subsidiaries in appropriate currencies.

The capital structure of the Group is presented below.

	2017 £'000	2016 £'000
Cash and cash equivalents	47,505	71,005
Borrowings	(10,682)	(10,843)
Net cash (excluding restricted deposits)	<b>36,823</b>	60,162
Equity	<b>129,302</b>	122,750

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

## Notes to the Financial Statements for the year ended 30 April 2017

### 15 (d) Other financial assets held to maturity and available for sale

Group	Assets held to maturity	Assets available for sale	Assets held to maturity	Assets available for sale
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Non-Current	2,389	81	2,253	75
	2,389	81	2,253	75

Assets held to maturity consist of restricted bank deposit accounts – see note 19.

Assets available for sale consist of short-term monetary funds of £nil (2016: £nil) and investments in unlisted entities, net of impairment provisions.

Company	Assets held to maturity	Assets available for sale	Assets held to maturity	Assets available for sale
	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Non-Current	973	–	971	–
	973	–	971	–

Assets held to maturity consist of restricted bank deposit accounts – see note 19.

### 16 Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Non-current assets</b>				
Other receivables	1,977	1,546	–	–
Prepayments and accrued income	48	2	–	–
	2,025	1,548	–	–
<b>Current assets</b>				
Trade receivables	11,388	6,888	919	910
Amounts due from subsidiaries	–	–	33,272	3,095
Amounts due from associated undertakings	1,015	51	–	–
Other receivables	2,700	3,762	79	171
Prepayments and accrued income	3,439	2,309	1,077	798
	18,542	13,010	35,347	4,974

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		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Raw materials and consumables	15,223	12,595	1,267	850
Work-in-progress	118	40	–	–
Finished goods	4,077	4,459	598	873
	19,418	17,094	1,865	1,723

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

## Notes to the Financial Statements for the year ended 30 April 2017

### 18 Cash and cash equivalents

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	47,094	38,368	11,515	14,732
Deposit accounts (excluding restricted deposits)	411	32,637	20	32,108
Cash and cash equivalents per statement of financial position	47,505	71,005	11,535	46,840
Cash and cash equivalents per cash flow	47,505	71,005	11,535	46,840

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

### 19 Net cash

	Notes	Group		Company	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash and cash equivalents per statement of financial position	18	47,505	71,005	11,535	46,840
Financial assets – held to maturity	15	2,389	2,253	973	971
Non-current instalments due on bank loans	21	(7,894)	(8,866)	–	–
Current instalments due on bank loans	21	(2,344)	(1,515)	–	–
Non-current finance leases	21	(298)	(317)	–	–
Current finance leases	21	(146)	(145)	–	–
		39,212	62,415	12,508	47,811

The Company's net cash excludes inter-group financing.

At 30 April 2017, £2,389,000 of the total net cash (2016: £2,253,000) comprised bank deposit accounts that are subject to restrictions and are not freely available for use by the Group and Company. These amounts are shown under financial assets held to maturity.

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 instalments on loans 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.

## Notes to the Financial Statements for the year ended 30 April 2017

### 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. Presentation of this information is recommended by the Financial Reporting Council (FRC) as good practice as being of use to shareholders and analysts, in their Financial Lab Project, Net Debt Reconciliations.

	1 May £'000	Exchange differences £'000	Other movements £'000	Cash flow £'000	30 April £'000
<b>2016/17</b>					
<b>Cash and cash equivalents per statement of financial position and cash flow</b>	<b>71,005</b>	<b>1,959</b>	<b>-</b>	<b>(25,459)</b>	<b>47,505</b>
<b>Financial assets held to maturity</b>	<b>2,253</b>	<b>165</b>	<b>-</b>	<b>(29)</b>	<b>2,389</b>
<b>Non-current loans</b>	<b>(8,866)</b>	<b>(678)</b>	<b>1,650</b>	<b>-</b>	<b>(7,894)</b>
<b>Current loans</b>	<b>(1,515)</b>	<b>(116)</b>	<b>(1,650)</b>	<b>937</b>	<b>(2,344)</b>
<b>Leases</b>	<b>(462)</b>	<b>(32)</b>	<b>(123)</b>	<b>173</b>	<b>(444)</b>
	<b>62,415</b>	<b>1,298</b>	<b>(123)</b>	<b>(24,378)</b>	<b>39,212</b>
2015/16					
Cash and cash equivalents per statement of financial position and cash flow	58,632	3,694	-	8,679	71,005
Financial assets held to maturity	2,220	62	-	(29)	2,253
Non-current loans	-	-	(76)	(8,790)	(8,866)
Current loans	-	-	(24)	(1,491)	(1,515)
Leases	(183)	(30)	(396)	147	(462)
	60,669	3,726	(496)	(1,484)	62,415

Other movements for finance leases relates to new finance leases during the year.

Company	1 May £'000	Exchange differences £'000	Other movements £'000	Cash flow £'000	30 April £'000
<b>2016/17</b>					
<b>Cash and cash equivalents per statement of financial position and cash flow</b>	<b>46,840</b>	<b>-</b>	<b>-</b>	<b>(35,305)</b>	<b>11,535</b>
<b>Financial asset held to maturity</b>	<b>971</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>973</b>
	<b>47,811</b>	<b>-</b>	<b>-</b>	<b>(35,303)</b>	<b>12,508</b>
2015/16					
Cash and cash equivalents per statement of financial position and cash flow	20,938	-	-	25,902	46,840
Financial asset held to maturity	967	-	-	4	971
	21,905	-	-	25,906	47,811

## Notes to the Financial Statements for the year ended 30 April 2017

### 20 Share capital and reserves

#### Share capital Company

	2017 Number	2016 Number	2017 £'000	2016 £'000
Allotted, issued and fully paid:				
Ordinary shares of 0.5p each				
At 1 May	<b>375,478,778</b>	373,229,778	<b>1,877</b>	1,866
Issued in year				
- share options	<b>996,093</b>	2,249,000	<b>5</b>	11
At 30 April	<b>376,474,871</b>	375,478,778	<b>1,882</b>	1,877

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

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

Date options granted	At 30 April 2016	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2017	Exercise price	Date from which exercisable	Last date on which exercisable
29 Jan 2009	-	-	-	-	-	10.92p	29 Jan 2012	28 Jan 2016
20 Jan 2010	44,093	-	-	(44,093)	-	36.37p	20 Jan 2013	19 Jan 2017
12 Jul 2010	15,000	-	-	-	15,000	36.33p	12 Jul 2013	11 Jul 2017
4 Jul 2011	125,000	-	-	(20,000)	105,000	65.25p	4 Jul 2014	3 Jul 2018
13 Dec 2011	250,000	-	-	-	250,000	53.50p	13 Dec 2014	12 Dec 2018
4 Jul 2012	312,000	-	-	(50,000)	262,000	39.17p	4 Jul 2015	3 Jul 2019
9 Jul 2013	1,980,000	-	-	(882,000)	1,098,000	90.63p	9 Jul 2016	8 Jul 2020
11 Jul 2014	1,331,700	-	-	-	1,331,700	145.33p	11 Jul 2017	10 Jul 2021
9 Jul 2015	1,377,600	-	(30,000)	-	1,347,600	133.33p	9 Jul 2018	8 Jul 2022
15 Dec 2015	57,400	-	-	-	57,400	153.25p	15 Dec 2018	14 Dec 2022
13 Jul 2016	-	1,123,300	-	-	1,123,300	141.50p	13 July 2019	12 July 2023
	5,492,793	1,123,300	(30,000)	(996,093)	5,590,000			

Date options granted	At 30 April 2015	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2016	Exercise price	Date from which exercisable	Last date on which exercisable
29 Jan 2009	50,000	-	(30,000)	(20,000)	-	10.92p	29 Jan 2012	28 Jan 2016
20 Jan 2010	44,093	-	-	-	44,093	36.37p	20 Jan 2013	19 Jan 2017
12 Jul 2010	15,000	-	-	-	15,000	36.33p	12 Jul 2013	11 Jul 2017
4 Jul 2011	740,000	-	-	(615,000)	125,000	65.25p	4 Jul 2014	3 Jul 2018
13 Dec 2011	250,000	-	-	-	250,000	53.50p	13 Dec 2014	12 Dec 2018
4 Jul 2012	1,926,000	-	-	(1,614,000)	312,000	39.17p	4 Jul 2015	3 Jul 2019
9 Jul 2013	1,980,000	-	-	-	1,980,000	90.63p	9 Jul 2016	8 Jul 2020
11 Jul 2014	1,331,700	-	-	-	1,331,700	145.33p	11 Jul 2017	10 Jul 2021
9 Jul 2015	-	1,377,600	-	-	1,377,600	133.33p	9 Jul 2018	8 Jul 2022
15 Dec 2015	-	57,400	-	-	57,400	153.25p	15 Dec 2018	14 Dec 2022
	6,336,793	1,435,000	(30,000)	(2,249,000)	5,492,793			

Full details of directors' share options are given in the Remuneration report on pages 42 to 52.

## Notes to the Financial Statements for the year ended 30 April 2017

### 20 Share capital and reserves continued

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.

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 2017 is 120.1p (2016: 109.5p) and the weighted average exercise price of options exercisable at 30 April 2017 is 74.7p (2016: 48.3p).

The weighted average share price for options exercised during the year ended 30 April 2017 was 162.8p (30 April 2016: 159.3p).

The weighted average remaining years for options outstanding at the year-end date is 4.3 years (2016: 4.8 years).

#### Share-based payments

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

The following table lists the inputs to the model used for the years ended 30 April 2017 and 30 April 2016:

Date of grant	29 January 2009	20 January 2010	12 July 2010
Vesting period	3 years	3 years	3 years
Share price volatility	52.80%	69.10%	70.10%
Share price on date of grant	10.75p	35.50p	38.00p
Option price	10.92p	36.37p	36.33p
Expected term	3.25 years	3.25 years	3.25 years
Dividend yield	0.00%	0.70%	3.29%
Risk free interest rate	2.52%	2.27%	1.27%
Fair value	4.693p	16.36p	15.95p

Date of grant	04 July 2011	13 December 2011	04 July 2012
Vesting period	3 years	3 years	3 years
Share price volatility	65.40%	63.20%	58.30%
Share price on date of grant	64.00p	50.25p	38.00p
Option price	65.25p	53.50p	39.17p
Expected term	3.25 years	3.25 years	3.25 years
Dividend yield	3.13%	4.48%	6.58%
Risk free interest rate	1.32%	0.50%	0.46%
Fair value	24.46p	16.38p	10.23p

## Notes to the Financial Statements for the year ended 30 April 2017

### 20 Share capital and reserves continued

Date of grant	09 July 2013	11 July 2014	09 July 2015
Vesting period	3 years	3 years	3 years
Share price volatility	48.50%	39.10%	30.70%
Share price on date of grant	94.00p	141.00p	113.50p
Option price	90.63p	145.33p	133.33p
Expected term	3.25 years	3.25 years	3.25 years
Dividend yield	3.83%	2.66%	4.02%
Risk free interest rate	0.62%	1.28%	0.82%
Fair value	26.20p	32.20p	21.00p

Date of grant	15 December 2015	13 July 2016
Vesting period	3 years	3 years
Share price volatility	26.16%	26.35%
Share price on date of grant	154.00p	146.75p
Option price	153.25p	141.50p
Expected term	3.25 years	3.25 years
Dividend yield	3.32%	3.99%
Risk free interest rate	0.90%	0.11%
Fair value	21.78p	19.72p

The charge for share-based payments is £296,000 (2016: £413,000) and for the Company the charge is £69,000 (2016: £152,000).

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 2017 and 30 April 2016, the Company held no shares in treasury.

##### 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 (2016: £201,000) arising on the redemption of the deferred shares and £1,687,000 (2016: £1,459,000) relating to the fair value of options granted to employees of Group undertakings (note 14).

## 21 Financial Liabilities

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Non-current liabilities</b>				
Non-current instalments due on bank loans	7,894	8,866	-	-
Finance lease creditors	298	317	-	-
	<b>8,192</b>	<b>9,183</b>	-	-
<b>Current liabilities</b>				
Current instalments due on loans	2,344	1,515	-	-
Finance lease creditors	146	145	-	-
	<b>2,490</b>	<b>1,660</b>	-	-

Bank loans 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 0.4% and 1.0%.

### Obligations under finance leases

The Group has entered into finance lease arrangements for certain items of property, plant and equipment, largely for periods of up to four (2016: four) years (note 12). The total finance lease creditor at 30 April 2017 is £444,000, £146,000 due within one year and £298,000 due between two and five years, (2016: total finance lease creditor £462,000, £145,000 due within one year and £317,000 due within two to five years).

## 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, and defined contribution schemes.

### Defined benefit plans

A defined benefit plan is a pension arrangement under which participating members receive a benefit at retirement. The amount is determined by the plan rules and is dependent on such factors as age, years of service and pensionable pay and is not dependent on contributions made by the Company or members. The income statement service cost, in respect of defined benefit plans represents the increase in the defined benefit liability arising from pension benefits accrued by members in the current period. The Company having such plans is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be covered by the assets of the plan. As is explained below, the defined benefit plan for the Company has been closed to new members for over 30 years.

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. These comprise the impact on the defined benefit liability of changes in demographic and financial assumptions compared with the start of the year, actual experience being different to those assumptions and the return on plans assets above the amount included in net pension interest.

Defined contributions plans are arrangements in which the benefits paid to participants are linked to the amount of contributions paid and the performance of the scheme. Such plans are independent of the Company and the Group and the Company and the Group have no exposure to investment and experience risks. The income statement charge for these plans represents the contributions paid by the Group based on a percentage of employees' pay.

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

The amounts charged to profit and loss for all post-employment benefits are shown in note 5.

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Company defined benefit obligations	-	-	-	-
Overseas employment benefit obligations	4,441	3,833	-	-
Overseas defined benefit scheme	1,015	922	-	-
	<b>5,456</b>	<b>4,755</b>	-	-

## 22 Post-employment benefit obligations continued

### Photo-Me International plc defined benefit pension scheme

The Company operates a final salary defined benefit scheme in the UK for some long-serving employees, which is funded by contributions from the Company and by members of the scheme. This pension scheme (the Photo-Me International plc Pension and Life Assurance Fund) is closed to new entrants. The defined benefits are based upon an employee's years of service and final pensionable salary. Actuarial valuations are undertaken triennially by a qualified independent actuary, the most recent valuation being at 1 June 2015. The results of the funding valuation at 1 June 2015 have been adjusted to the balance sheet date taking account of experience over the period since 1 June 2015, changes in market conditions, and differences in the financial and demographic assumptions.

Reconciliation of the movement in the present value of the defined benefit obligation	2017 £'000	2016 £'000
Present value of defined benefit obligation at beginning of year	6,303	6,562
Current service cost	9	16
Interest cost	202	210
Contributions by members	1	1
Actuarial losses/(gains) on fund liabilities arising in demographic assumptions	(62)	-
Actuarial (gains)/ losses from changes in financial assumptions	607	(25)
Actuarial (gains)/losses on liabilities from experience	(49)	(76)
Benefits paid	(372)	(385)
Present value of defined benefit obligation at end of year	<b>6,639</b>	6,303

Reconciliation of the movement in the fair value of plan assets	2017 £'000	2016 £'000
Fair value of plan assets at beginning of year	6,716	6,938
Interest income on fund assets	216	223
Remeasurement (losses)/gains on assets	653	(75)
Contributions by the Company	9	14
Contributions by members	1	1
Benefits paid	(372)	(385)
Fair value of plan assets at end of year	<b>7,223</b>	6,716

Amount to be recognised in the statement of financial position	2017 £'000	2016 £'000
Present value of funded obligations	6,639	6,303
Fair value of scheme assets	(7,223)	(6,716)
Net assets	(584)	(413)
Effect of limit of recognition of an asset	584	413
Amount recognised in statement of financial position	-	-

The actuarial valuation of the UK Pension scheme has revealed a surplus at 30 April 2017, 30 April 2016 and 30 April 2015. This surplus has not been recognised as an asset, in accordance with IFRIC14, as in the future the surplus will not be recovered by a reduction in future contributions to the scheme. The scheme has been closed to new members for over 30 years.

## Notes to the Financial Statements for the year ended 30 April 2017

### 22 Post-employment benefit obligations continued

The cumulative amount of remeasurement 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 £1,375,000 (2016: loss of £1,375,000) in respect of the Company's defined benefit scheme. This has been charged to retained earnings.

	2017 £'000	2016 £'000
<b>Amount recognised in profit and loss and other comprehensive income</b>		
<b>Amount recognised in profit and loss</b>		
Current service cost	9	16
Interest on net defined liability/(asset)	-	-
Total charge	9	16
Pension expense recognised in profit and loss	9	16
<b>Remeasurement in Other Comprehensive Income</b>		
Return on Scheme assets (in excess of)/below that recognised in net interest	(653)	75
Actuarial (gains)/losses due to changes in financial assumptions	607	(25)
Actuarial (gains)/losses due to changes in demographic assumptions	(62)	-
Actuarial (gains)/losses on liabilities arising from experience	(49)	(76)
Adjustment due to the asset ceiling	157	24
Total (income)/expense amount recognised in Other Comprehensive Income	-	(2)
Total (income)/expense amount recognised in Comprehensive Income	9	14

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

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

	2017		2016	
	£'000	%	£'000	%
Bonds	4,090	57	3,613	54
Insurance policies	3,133	43	3,035	45
Other	-	-	68	1
	<b>7,223</b>	<b>100</b>	6,716	100

There were no financial instruments of the Company included in the plan assets (2016: none) and there were no property assets occupied by the Company (2016: none).

#### Principal actuarial assumptions

	30 April 2017 100	30 April 2016 0
Discount rate for scheme liabilities	2.50	3.30
Rate for increase in salaries	1.50	3.90
Price inflation	3.30	2.90
Pension increases	3.00	2.90

## Notes to the Financial Statements for the year ended 30 April 2017

### 22 Post-employment benefit obligations continued

The mortality tables used for 2017 are S2NXA Light tables for males and S2NXA all lives for females, with CMI 2014 projections and a long-term rate of improvement of 1.5% pa. The mortality tables used for 2016 are S1NXA Light tables with CMI2014 projections and a long-term rate of improvement of 1.5% pa. The mortality assumptions allow for expected future improvements in mortality rates.

	2017	2016
Male currently aged 65	<b>24.1 years (age 89.10)</b>	24.1 years (age 89.10)
Female currently aged 65	<b>25.3 years (age 90.30)</b>	25.5 years (age 90.50)
Male currently aged 45	<b>26.2 years (age 91.20)</b>	26.1 years (age 91.10)
Female current aged 45	<b>27.5 years (age 92.50)</b>	27.8 years (age 92.80)

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Fair value of defined benefit obligation	6,639	6,303	6,562	5,922	6,696
Fair value of assets	7,223	6,716	6,938	6,379	6,973
Surplus/(deficit)	584	413	376	457	277

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Experience (losses)/gains on fund assets	653	(75)	581	(357)	-
Experience gains/(losses) on plan liabilities	49	76	(40)	246	(731)
- as a percentage of present value of plan liabilities	-	-	-	-	(11.0%)
Differences between expected and actual return on plan assets	-	-	-	-	602
- as a percentage of present value of plan assets	-	-	-	9.0%	(3.0%)

The figure of liabilities for 2017, 2016, 2015, 2014 and 2013 relates to gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

#### Sensitivity to key assumptions

The key assumptions used for the IAS 19 valuation are: discount rate, inflation rate and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The table below shows the sensitivity to the key assumptions noted above.

	Service cost £'000	Net Interest £'000	Total profit and loss charge £'000	Plan assets £'000	Defined benefit obligation £'000	Surplus £'000
<b>Year ended 30 April 2017</b>						
As reported	9	-	9	7,223	6,639	584
Following a 0.1% decrease in the discount rate	9	-	9	7,253	6,722	531
Following a 0.1% increase pa in the inflation assumption	9	-	9	7,226	6,659	567
Following an increase in the life expectancy of one year	9	-	9	7,421	6,991	430

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest valuation to the balance sheet data. This is the same approach as has been adopted in previous years.

## Notes to the Financial Statements for the year ended 30 April 2017

### 22 Post-employment benefit obligations *continued*

#### Overseas post-employment benefit obligations

Provisions for obligations to make termination payments on retirement, to employees 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. Nippon Auto – Photo K.K. agreed with the employees that 50 % of the liability for the retirement provision will be paid in cash to an independently controlled defined contribution scheme, with the balance to be met by the company when the employee leaves.
- 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 2017 and 30 April 2016. This actuarial valuation incorporated the following principal assumptions in arriving at the present value of the obligations:

	2017	2016
Discount rate	1.35%	1.35%
Rate of increase in salaries	2.00%	2.00%
Retirement age	62-64 years	62-64 years
Inflation rate	2.00%	2.00%
Mortality table	TGH/TGF 05	TGH/TGF 05

Management believes that the book value for retirement obligations in France fairly states the position at 30 April 2017 and 30 April 2016.

The movement on these schemes is as follows:

	2017 £'000	2016 £'000
At 1 May	3,833	3,318
Exchange differences	304	373
Utilised and other movements	304	142
At 30 April	4,441	3,833

Utilised and other movements for 2017 include amounts reflected in other comprehensive income, amounts charged to profit and loss and amounts paid to employees.

#### Overseas pension schemes

The Group's Swiss subsidiary, Prontophot (Schweiz) A.G. participates in funded multi-employer pension schemes. A guaranteed return for such employees' schemes is mandated by the Swiss state. An actuarial valuation was performed at 30 April 2017 and 30 April 2016 by independent actuaries.

## Notes to the Financial Statements for the year ended 30 April 2017

### 22 Post-employment benefit obligations *continued*

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

	2017 £'000	2016 £'000
Present value of defined benefit obligation at 1 May	3,526	3,381
Exchange difference	317	97
Contribution by members	42	36
Current service cost	203	203
Interest cost	20	27
Remeasurement losses on plan liabilities	186	107
Prepaid risk premiums	(63)	(61)
Benefits deposited/(paid)	(171)	(265)
Administration costs	2	1
Present value of defined benefit obligation at 30 April	4,062	3,526

	2017 £'000	2016 £'000
Fair value of plan assets at 1 May	2,604	2,491
Exchange difference	234	71
Contributions by company and members	211	181
Expected return on plan assets	14	19
Remeasurement gain on plan assets	218	168
Benefits (paid)/deposited	(171)	(265)
Prepaid risk premiums	(63)	(61)
Fair value of plan assets at 30 April	3,047	2,604

	2017 £'000	2016 £'000
Net liability at 1 May	922	890
Exchange difference	83	25
Increase/(decrease) in liability	10	7
Net liability at 30 April	1,015	922



## Notes to the Financial Statements for the year ended 30 April 2017

### 22 Post-employment benefit obligations *continued*

#### Amounts recognised in comprehensive income

	2017 £'000	2016 £'000
Amount recognised in profit and loss		
Service costs		
Current service cost	203	203
Administrative expenses	2	1
Net pension interest	6	8
Total charge	211	212
Amount recognised in other comprehensive income		
Return on scheme assets	(218)	(168)
Actuarial losses on defined benefit obligation	186	107
Total amount recognised in other comprehensive income	(32)	(61)
Total amount recognised in profit and loss and other comprehensive income	179	151

	2017		2016	
	£'000	%	£'000	%
Cash	51	2	73	3
Equities & debt instruments	2,077	68	1,753	67
Other	919	30	778	30
Total plan assets	3,047	100	2,604	100

#### Principal actuarial assumptions

	30 April 2017 %	30 April 2016 %
Discount rate	0.60	0.50
Expected return on plan assets at end of year	n/a	n/a
Rate of increase in salaries	2.00	2.00
Price inflation	0.00	0.00

The normal retirement age for males is between 60 – 65 years and for females between 59 – 64 years for both 2017 and 2016.

The mortality tables used in 2017 and 2016 were the BVG2015 GT tables; 2015, 2014 and 2013 used the BVG 2010 GT tables.

## Notes to the Financial Statements for the year ended 30 April 2017

### 22 Post-employment benefit obligations *continued*

#### History of assets, liabilities and actuarial gains and losses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Present value of defined benefit obligation	4,062	3,526	3,381	2,529	2,383
Fair value of assets	3,047	2,604	2,491	2,205	2,002
Deficit	(1,015)	(922)	(890)	(324)	(381)

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Experience (losses)/gains on plan liabilities	(186)	(107)	(571)	78	205
– as a percentage of the present value of plan liabilities	0	3%	(17%)	3%	9%
Difference between expected and actual return on plan assets	218	168	94	1	98
– as a percentage of the present value of plan assets	7%	6%	3%	0%	5%

The 2016, 2015 and 2014 figures in the table above represent actuarial gains on plan liabilities and plan assets.

#### Sensitivity to key assumptions

The key assumptions used for the IAS 19 valuation are: discount rate, inflation rate and mortality.

If different assumptions were used, this could have a material effect on the results disclosed.

The table below shows the sensitivity to the key assumptions noted above.

	Defined benefit obligation £'000	Increase/(decrease) in defined benefit obligation £'000
Defined benefit obligation as reported	4,062	–
Defined benefit obligation – with discount rate – 0.25%	4,258	196
– with discount rate + 0.25%	3,880	(182)
– with salary decrease – 0.25%	4,029	(33)
– with salary increase + 0.25%	4,096	34
– with life expectancy + 1 year	4,125	63
– with life expectancy – 1 year	3,996	(66)

The Group's best estimate for contributions to be paid by the company next year to the scheme is £189,000 (2016: £215,000).

The amount recognised in the income statement for this scheme was £211,000.

## Notes to the Financial Statements for the year ended 30 April 2017

### 23 Provisions

#### Group

	Employee related claims £'000	Product warranties £'000	Other £'000	Total £'000
At 30 April 2015	1,049	185	4,323	5,557
Exchange differences	63	7	229	299
Utilised and other movements	(314)	(117)	(1,495)	(1,926)
Charged to income statement	97	–	86	183
At 30 April 2016	895	75	3,143	4,113
Amount shown as non-current liability	–	–	10	10
Amount shown as current liability	895	75	3,133	4,103
	895	75	3,143	4,113
<b>At 30 April 2016</b>	<b>895</b>	<b>75</b>	<b>3,143</b>	<b>4,113</b>
Exchange differences	103	7	307	417
Utilised and other movements	(88)	(1)	(493)	(582)
Charged to income statement	(861)	(37)	(978)	(1,876)
<b>At 30 April 2017</b>	<b>49</b>	<b>44</b>	<b>1,979</b>	<b>2,072</b>
Amount shown as non-current liability	–	–	–	–
Amount shown as current liability	49	44	1,979	2,072
	49	44	1,979	2,072

#### Employee related claims

Certain overseas Group undertakings have made provision for claims made by former employees.

#### Other provisions

Other provisions include provisions of £1,500,000 for potential legal claims against certain Group companies. These have been assessed by management based on legal advice and are expected to be resolved in the following year.

#### Company

	Employee related claims £'000	Product warranties £'000	Other £'000	Total £'000
At 30 April 2015	–	–	17	17
Utilised and other movements	–	–	(7)	(7)
At 30 April 2016	–	–	10	10
Amount shown as non-current liability	–	–	10	10
Amount shown as current liability	–	–	–	–
	–	–	10	10
<b>At 30 April 2016</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>10</b>
Utilised and other movements	–	–	(10)	(10)
<b>At 30 April 2017</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Amount shown as non-current liability	–	–	–	–
Amount shown as current liability	–	–	–	–
	–	–	–	–

## Notes to the Financial Statements for the year ended 30 April 2017

### 24 Deferred taxation

Deferred tax comprises:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Timing difference relating to property, plant and equipment	1,025	(447)	(1,465)	(1,881)
Other timing differences in recognising revenue and expense items in other periods for taxation purposes:				
– research and development	572	842	–	–
– post-employment benefit provisions	(1,796)	(1,400)	–	–
– losses	(220)	(352)	–	–
– other short term temporary differences	(135)	(972)	(370)	(346)
	(554)	(2,329)	(1,835)	(2,227)
The closing balance comprises:				
Deferred tax assets	(3,641)	(4,216)	(1,835)	(2,227)
Deferred tax liabilities	3,087	1,887	–	–
	(554)	(2,329)	(1,835)	(2,227)

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Opening balance	(2,329)	(2,445)	(2,227)	(1,702)
Exchange differences	75	115	–	–
Newly acquired subsidiary	25	55	–	–
Charge/(Credit) for the year in income statement	1,702	(2)	374	(464)
Amounts (credited)/charged to other comprehensive income	(27)	(52)	18	(61)
Closing balance	(554)	(2,329)	(1,835)	(2,227)

#### 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 or where the Group is able to control the remittance of earnings and it is possible that such earnings will not be remitted in the foreseeable future.

##### Unrecognised deferred tax assets

Deferred tax assets amounting to £1,220,000 (2016: £958,000) arising on temporary differences of £5,052,000 (2016: £3,809,000), in respect of unrelieved tax losses and other temporary differences have not been recognised, as their future economic benefit is uncertain.

An analysis of the unrecognised deferred asset by the expiry dates of unrelieved tax losses is as follows:

	Group	
	2017 £'000	2016 £'000
Expiring in less than one year	–	–
Expiring between two and 20 years	228	81
No expiry date	992	877
	1,220	958

## Notes to the Financial Statements for the year ended 30 April 2017

### 24 Deferred taxation continued

In addition, the Group has an unrecognised deferred tax asset on gross capital losses of £3,756,000 (2016: £3,765,000), of which £3,627,000 (2016: £3,627,000) relate to the Company, which have not been recognised as their future economic benefit is not certain.

#### Factors that may affect future tax charges in the UK

There will be a reduction in the corporate tax rates in two of the major jurisdictions in which the Group operates, in the UK to 17% from 2020, and in France to 28% from 2019. The deferred tax assets and liabilities have been recognised based on the respective corporation tax rates at which they are anticipated to unwind in each jurisdiction.

### 25 Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Amounts shown as non-current liabilities</b>				
Trade payables	-	-	-	-
Other payables	1,500	200	-	200
Accruals and deferred income	810	1,621	-	-
	<b>2,310</b>	1,821	-	200
<b>Amounts shown as current liabilities</b>				
Trade payables	24,650	19,672	3,585	4,015
Amounts owed to subsidiaries	-	-	17,496	34,246
Other taxes and social security costs	2,700	3,624	783	721
Other payables	5,785	5,435	395	295
Accruals and deferred income	6,741	7,077	899	6,512
	<b>39,876</b>	35,808	<b>23,158</b>	45,789

Included in other payables current and non-current for both the Group and the Company is the balance of deferred consideration for the acquisition of business combinations and subsidiary undertakings as shown in note 30 Business combinations and disposals.

Included in accruals and deferred income is the liability relating to the sale of the future rental stream on the investment property (note 13).

## Notes to the Financial Statements for the year ended 30 April 2017

### 26 Operating leases and Site Agreements

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Land and buildings</b>				
Not later than one year	742	667	25	144
After one year but not more than five years	1,197	1,241	-	229
After five years	177	144	-	-
	<b>2,116</b>	2,052	<b>25</b>	373
<b>Other</b>				
Not later than one year	1,172	1,133	633	462
After one year but not more than five years	1,991	1,712	1,165	927
After five years	-	6	-	-
	<b>3,163</b>	2,851	<b>1,798</b>	1,389
<b>Total</b>				
Not later than one year	1,914	1,800	658	606
After one year but not more than five years	3,188	2,953	1,165	1,156
After five years	177	150	-	-
	<b>5,279</b>	4,903	<b>1,823</b>	1,762
<b>Site owner agreements</b>				
Not later than one year	5,263	6,836	1,399	1,273
After one year but not more than five years	7,743	10,336	1,381	884
After five years	2,538	3,451	-	1
	<b>15,544</b>	20,623	<b>2,780</b>	2,158

#### 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.

#### Site owner agreements

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 shown in the table above 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.

In January 2016, the IASB issued IFRS16 Leases which is effective for annual reporting periods beginning on or after 1 January 2019. Under this standard all leases, both finance and operating will be included on the balance sheet. The Group is currently studying the impact of IFRS 16 on its operating leases and in regard to commission arrangements, whether these arrangements will meet the definition of a lease.

## Notes to the Financial Statements for the year ended 30 April 2017

### 27 Capital commitments and contingent liabilities

#### Capital commitments

The table below shows the amount of capital commitments with third parties for property, plant and equipment and the amounts placed with the Group's procurement companies for vending equipment.

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Amounts with third parties</b>				
For supply of property, plant & equipment – mainly vending equipment	4,496	8,942	–	17
<b>Amounts with Group companies</b>				
Amount of vending equipment contracted by the Group's operating Companies with the Group's procurement companies	669	1,398	669	1,394

#### Contingent liabilities

The Company and subsidiary undertakings have given other guarantees in the normal course of business to third parties. No losses are expected from guarantees given by the Company and subsidiary undertakings.

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

The Group has no contingent liabilities with regard to its interest in the associated undertakings (2016: none).

### 28 Related parties

The following transactions were carried out with related parties:

#### Directors' compensation

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Salaries and other short-term employee benefits excluding long-term incentives and pension contributions	1,647	1,360	1,647	1,360
Post-employment benefits	81	80	81	80
Share-based payments – charge	40	117	40	117
	1,768	1,557	1,768	1,557

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. These figures include amounts payable to third party companies for services of the directors. Further information about the remuneration of the directors is given in the Remuneration report on pages 42 to 52. Certain executive directors, with UK salaries, are entitled to join the Company's Group Personal Pension Plan, to which the Company contributes 5% of their basic salaries. The charge for the year was £nil (2016: £3,000). No director who served during the year was a member of the Company's defined benefit pension scheme (2016: none).

Directors of the Company control 22.54% of the Ordinary shares of the Company. The interests of the directors in the share capital of the Company are shown on page 49 of the Remuneration report.

## Notes to the Financial Statements for the year ended 30 April 2017

### 28 Related parties continued

Sales of goods and services, purchases and year end balances

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Sales of goods and services</b>				
Associates	166	84	–	–
	166	84	–	–
<b>Trade and other receivable balances</b>				
Associates	1,015	51	–	–
	1,015	51	–	–

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

The trade and other receivable balances with related parties and associates arise from normal trading and do not include any security or any other consideration.

Included in trade and other receivable balances with associates is an interest-bearing loan of £1,015,000.

The trade and other payable balances arise from normal trading.

The Company has the following transactions with related parties.

	2017 £'000	2016 £'000
<b>Defined benefit pension scheme</b>		
Administration costs of company defined benefit scheme	44	47

# Notes to the Financial Statements

## for the year ended 30 April 2017

### 28 Related parties continued

	2017 £'000	2016 £'000
<b>Transactions with subsidiaries</b>		
Sales	159	72
Purchases	9,103	5,428
Amounts owed by subsidiaries	33,272	3,095
Amounts owed to subsidiaries	17,496	34,246
<b>Other items</b>		
Interest due from subsidiaries	5	5
Interest paid to subsidiaries	69	73
Intercompany fee due from subsidiaries	7,832	7,458
Intercompany fees charged by subsidiaries	2,763	1,591
Property, plant and equipment		
– sold to subsidiaries	85	36
– acquired from subsidiaries	4,788	3,092
Intangible assets		
– sold to subsidiaries	5,037	–
Dividend income		
– from subsidiaries	40,084	10,692
	2017 £'000	2016 £'000
<b>Transactions with Associates</b>		
Dividends received from associates	279	–

### 29 Group undertakings

This disclosure is made in accordance with Section 409 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Companies, Partnerships and Groups (accounts and reports) Regulations 2015. A full list of subsidiary undertakings and associated undertakings (showing country of incorporation, which is also the main trading location of the company, the effective percentage of equity shares held) and full registered office addresses at 30 April 2017 are shown below. Unless indicated otherwise the equity shares held are in the form of ordinary shares or common stock.

Principal group undertakings which affect the financial statements of the Group are highlighted in bold. Together with the parent company, Photo-Me international plc, these companies contributed over 90% of the Group's revenue and operating profit.

Company name	Principal Activity	Group interest	Registered office address	Country of incorporation
<b>UK &amp; Ireland</b>				
<b>Fowler UK.Com Limited</b>	Operations	100%	c/o Photo-Me International plc, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
<b>Jolly Roger (Amusement Rides) Limited</b>	Production	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
MgInvest Investments Limited	Investment	100%*	12 Catherine Street, Warrington, Cheshire, WA5 0LH	England & Wales
Photo-Me (2016) Limited	Dormant	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
<b>Photo-Me (Retail) Limited</b>	Operations	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
<b>Photo-Me Limited</b>	Corporate	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
Photo-Me Trustees Limited	Dormant	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
Power-Me Limited	Dormant	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
Xpand Investments Limited	Investment	100%	Photo-Me House, Church Road, Bookham, Surrey, KT23 3EU	England & Wales
Impact (Web Services) Limited	Dormant	100%	Unit A4, Alexander House, Tallaght Cross East, Tallaght, Dublin 24	Republic of Ireland
Photo-Me Ireland Limited	Operations	100%	Unit A4, Alexander House, Tallaght Cross East, Tallaght, Dublin 24	Republic of Ireland
<b>Continental Europe</b>				
Prontophot Austria G.m.b.H.	Operations	100%	Viktor Kaplan Strasse 9B, 2201 Gerasdorf bei Wien	Austria
<b>Prontophot Belgium NV</b>	Operations	100%	Boulevard Paepsem 8a, 1070 Anderlecht	Belgium

# Notes to the Financial Statements

## for the year ended 30 April 2017

Photo-Me Czech Republic s.p.o.l. s.r.o.	Dormant	100%*	Husova 2117, 256 01 Benešov	Czech Repub
<b>KIS SAS</b>	Trading	100%*	7 Rue Jean-Pierre Timbaud, 38130 Echirolles	France
<b>Photomaton SAS</b>	Operations	100%*	4 Rue de la Croix Faron, 93217 La Plaine Saint-Denis	France
Photo-Me France SAS	Investment	100%	7 Rue Jean-Pierre Timbaud, 38130 Echirolles	France
SCI du Lotissement d'Echirolles	Property	61%*	2110 Avenue Du Général De Gaulle, 38130 Echirolles	France
<b>SCI Immobilière du 21</b>	Property	100%*	7 Rue Jean-Pierre Timbaud, 38130 Echirolles	France
Stilla Technologies SA (associate)	Bio-technology	50%	1, Mail du Professeur Georges Mathé, 94800 Villejuif	France
<b>Fotofix-Schnellphotoautomaten G.m.b.H.</b>	Operations	100%	Medienstrasse 4, 47807 Krefeld	Germany
Kis Italia Srl	Dormant	100%	Via Tiziano 32, 20145 Milano	Italy
<b>Prontophot Holland B.V</b>	Operations	100%	Loonseweg 14, 5527 AC Hapert	Netherlands
KIS Poland s.p.z.o.o.	Operations	100%	ul. Targowa 46/5, 03-733 Warszawa	Poland
<b>Animate Fotofixe Limitada</b>	Operations	100%	Rua Sto António do Zaire, n°138, 2685-492 Camarate	Portugal
KIS Automatic Services SL	Operations	100%	Calle Freixa 26-28, Planta Bj, 08021 Barcelona, Spain	Spain
Copyphot SA	Operations	100%*	Sonnentalstrasse 5, 8600 Dübendorf	Switzerland
Photo-Me Suisse SA	Dormant	100%	Rue du Rhône 65, 1204 Genève	Switzerland
<b>Prontophot (Schweiz) AG</b>	Operations	100%	Sonnentalstrasse 5, 8600 Dübendorf	Switzerland
<b>Asia &amp; ROW</b>				
Photo Direct Pty Ltd (associate)	Sales & Servicing	26.95%	Unit 4, 109 Whitehorse Rd, Blackburn, Victoria 3130	Australia
<b>Photo-Me (Shanghai) Co Limited</b>	Operations	100%*	Room 1102 Tongyong Tower, No. 1346 Gong he Xin Road, Zha bei District, Shanghai 200070	China
Photo-Me Beijing Co Limited	Operations	100%*	Room 1124, Ocean Natural Xintiandi, No.106 East Majiapu Road, Fengtai District, Beijing 100000	China
Fullwise International Limited (associate)	Dormant	33.33%	48 Yee Wo Street, 14/F McDonald's Bldg, Causeway Bay	Hong Kong
Max Sight Limited (associate)	Operations	33.33%	48 Yee Wo Street, 14/F McDonald's Bldg, Causeway Bay	Hong Kong
Photomaton Maroc SARL (associate)	Operations	50%	131, Bd d'Anfa, Casablanca, 20250	Morocco
<b>Nippon Auto-Photo Kabushiki Kaisha</b>	Operations	100%	Room 1302, Atlas Tower Roppongi, Roppongi 7-7-13, Minato-Ku, 106 0032 Japan	Japan
Photo-Me Korea Company Limited	Operations	100%*	Room #203-1, Daeryung techno town 1st, Gasan Digital 2 ro 18, Geumcheon-gu, Seoul, 08592	Korea
Photomatico (Singapore) Pte Limited	Operations	100%	26 Sin Ming Lane, Singapore 573971	Singapore
KIS (Thailand) Limited	Dormant	49%	53/3, 4th Floor, Unit 4, Goldenland Bldg, Soi Mahardlekuang 1, Badmiri Rd, Lumpini Phatumwan, 10330 Bangkok	Thailand
KIS USA LLC	Operations	100%	150 Fayetteville Street, Box 1011, Raleigh, N Carolina, 27601	USA
KIS Technology Company Limited	Trading	100%	P.1003, Ford Thang Long Building, 105 Lang Ha Street, Ba Dinh district, Hanoi	Vietnam

Investments in subsidiaries not owned directly by Photo-Me International plc (the ultimate parent company) are indicated thus \*. Photo-Me CR.s.p.o.l.s.r.o. is owned 20% by Photo-Me International plc and 80% by Prontophot Austria G.m.b.H. Photo-Me International plc owns 49% common shares in KIS (Thailand), 51% preferred stock are owned by other shareholders. Other subsidiaries are owned by sub-holding companies.

The results of the Group's subsidiaries and associates are consolidated for the year ended 30 April. Certain subsidiaries and associates have a different statutory year end, sometimes due to legal requirements in the country concerned.

The following subsidiaries and associates have year ends which are not 30 April. Fowler UK.Com Ltd 30 September, SCI du Lotissement d'Echirolles 31 December, Photo-Me Beijing Co Limited and Photo-Me Shanghai Co Limited 31 December, KIS Technology Company Limited 31 March, Stilla Technologies SA 31 December, and Photo Direct Pty Ltd 30 June.

## Notes to the Financial Statements for the year ended 30 April 2017

### 30 Business combinations and disposals

#### Business combinations

##### Current year

The Group completed its acquisition of the Photo Division of Asda Stores Limited ("Asda") on 31 October 2016 and trading commenced on 1 November 2016 in this activity under the name Photo-Me Retail Limited.

The table below shows the assets acquired and the consideration paid and payable.

	£'000
Intangible assets	2,965
Property, plant and equipment	348
Inventory	500
<b>Total assets</b>	<b>3,813</b>
	£'000
Satisfied by	
Trade and other payables	500
Deferred consideration	2,250
Cash paid	1,063
<b>Total consideration paid and deferred consideration</b>	<b>3,813</b>

On 31 October 2016, the Group completed the acquisition of the UK photo division of Asda Stores Limited. The addition of 363 sites previously managed by Asda, 119 photo centres and 172 self-service corners, has extended our presence in the UK market. This acquisition reported a loss of £1.8m in the period to 30 April 2017 and turnover in the period to 30 April 2017 was £5.3m. The reconfiguration of layouts and equipment upgrades which are being implemented as well as ongoing operational measures, are expected to restore the profitability of the business in the short term and progressively expand profitability going forward.

An intangible asset of £2,965,000 has been included in the other intangible additions totalling £4,296,000 (note 11), that relates to the operating licence for 10 years in the Asda stores.

A deferred consideration of £2,250,000 is payable in equal instalments over 3 years from the anniversary of the date of acquisition.

##### Disposals

During the year, the Group has disposed of its 100% interest in Camden Management Services Ltd, a small operating company in the United Kingdom and two dormant companies were dissolved.

## Notes to the Financial Statements for the year ended 30 April 2017

### Prior year business combinations

#### Business combinations

The Group completed its acquisition of 100% of the share capital and voting interests in Fowler UK.com Ltd ("Fowler") in early November 2015. Fowler is a UK company which supplies and installs laundry and catering equipment. The acquisition was effective on 1 October 2015 and Fowler was consolidated in the Group's consolidated results and balance sheet from that date.

The table below summarises the fair value of the assets acquired, liabilities assumed and the consideration paid.

	£'000
Intangible assets	253
Property, plant and equipment	549
Inventory	265
Trade and other receivables	280
Cash and cash equivalents	209
<b>Total assets</b>	<b>1,556</b>
Borrowings	178
Deferred tax	55
Trade and other payables	289
Current tax	56
<b>Total liabilities</b>	<b>578</b>
<b>Total identifiable net assets</b>	<b>978</b>
<b>Total net assets excluding net cash and cash equivalents</b>	<b>947</b>
<b>Goodwill</b>	<b>1,273</b>
<b>Goodwill and total identifiable net assets</b>	<b>2,251</b>
Cost of investment	2,251
Deferred consideration	400
<b>Cash flow as per Company Statement of Cash Flows</b>	<b>1,851</b>
<b>Net cash acquired</b>	<b>209</b>
<b>Net cash consideration per Group Statement of Cash Flows</b>	<b>1,642</b>

### Income statement (unaudited)

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Revenue					
UK & Ireland	53,639	45,783	44,652	44,927	45,744
Continental Europe	111,670	93,712	94,345	102,932	104,913
Asia	49,344	44,499	38,205	38,739	44,933
Total revenue	214,563	183,994	177,202	186,598	195,590
Operating profit after special items before finance costs	46,807	39,734	38,370	30,266	24,199
Net finance (cost)/income	1,232	372	126	(173)	107
Profit before taxation	48,039	40,106	38,496	30,093	24,306
Taxation	(12,901)	(10,907)	(10,452)	(8,514)	(6,746)
Profit after taxation	35,138	29,199	28,044	21,579	17,560
Attributable to:					
– equity owners of the Parent	34,991	29,066	27,900	21,422	17,405
– Non-controlling interests	147	133	144	157	155
	35,138	29,199	28,044	21,579	17,560
Earnings per share – Basic	9.30p	7.77p	7.49p	5.77p	4.78p
Earnings per share – Diluted	9.27p	7.72p	7.43p	5.70p	4.76p
Dividends – interim	3.09p	2.575p	2.34p	1.80p	1.50p
Dividends – final	3.94p	3.285p	2.54p	1.95p	1.50p
Dividends – special	–	2.815p	–	2.00p	3.00p
Total dividends	7.03p	8.675p	4.88p	5.75p	6.00p

\* Including discontinued operations.

### Statement of financial position (unaudited)

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Intangible assets	25,263	20,312	16,687	15,687	16,715
Property, plant and equipment	75,651	56,723	48,721	47,045	46,057
Other non-current investments	2,095	1,713	848	620	790
Other non-current assets	8,136	8,092	7,486	8,474	6,376
Current assets	85,753	103,382	82,474	86,680	85,872
Assets held for sale	96	96	–	705	–
Total assets	196,994	190,318	156,216	159,211	155,810
Share capital	1,882	1,877	1,866	1,859	1,856
Share premium	8,999	8,156	7,131	6,521	6,287
Reserves	117,080	111,608	94,510	94,734	89,018
Equity of the Parent	127,961	121,641	103,507	103,114	97,161
Non-controlling interests	1,341	1,109	904	1,119	1,197
Total equity	129,302	122,750	104,411	104,233	98,358
Total non-current liabilities	19,045	17,656	7,549	8,713	9,847
Total current liabilities	48,647	49,912	44,256	46,265	47,605
<b>Total equity and liabilities</b>	<b>196,994</b>	<b>190,318</b>	<b>156,216</b>	<b>159,211</b>	<b>155,810</b>
<b>Net cash</b>	<b>39,212</b>	<b>62,415</b>	<b>60,669</b>	<b>63,111</b>	<b>61,419</b>

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

### Financial & operating statistics

	2017	2016	2015	2014	2013
Capital expenditure – photobooth & vending machines £'000	33,787	19,402	18,287	17,327	16,381
Capital expenditure – research & development £'000	2,390	2,935	2,560	1,125	1,058
EBITDA £'000	69,230	56,695	55,251	47,803	44,927
EBITDA % of revenue	32.3	30.8	31.2	25.6	23.0
Number of vending sites	48,000	45,500	44,600	43,850	43,150

### Registered in England and Wales

Number 735438

### Registered Office

Church Road  
Bookham Surrey  
KT23 3EU

Tel: +44 (0) 1372 453399  
Fax: +44 (0) 1372 451044  
Web: www.photo-me.com  
e-mail: ir@photo-me.co.uk

### Auditor

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT

### Brokers

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

finnCap Limited  
60 New Broad Street  
London  
EC2M 1JJ

### Bankers

Lloyds Bank plc  
25 Gresham Street  
London  
EC2V 7HN

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

### Financial public relations

Hudson Sandler LLP  
29 Cloth Fair  
London  
EC1A 7NN

### Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## Analysis of registered shareholdings at 27 June 2017

	Number of holdings	Number of Ordinary shares	% of issued Ordinary share capital
<b>Category:</b>			
Individuals	1,926	7,528,847	2.00
Nominees	405	364,984,996	96.94
Other corporate bodies	35	4,011,028	1.06
	<b>2,366</b>	<b>376,524,871</b>	<b>100</b>
<b>Size of holding:</b>			
1 – 1,000	1,154	560,740	0.15
1,001 – 10,000	862	2,677,400	0.71
10,001 – 100,000	218	7,302,173	1.94
100,001 – 500,000	75	17,735,716	4.71
500,001 – 1,000,000	19	13,339,544	3.54
1,000,001 and above	38	334,909,298	88.95
	<b>2,366</b>	<b>376,524,871</b>	<b>100</b>

## 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 each
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.com](http://www.photo-me.com)

## Transfer office and registration services

Capita Asset Services 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 Asset Services  
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 Asset Services also offer a range of shareholder information online at [www.capitashareportal.com](http://www.capitashareportal.com)

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

Copies of the Annual Report should be requested from:

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

Tel: +44 (0) 1372 453399  
Fax: +44 (0) 1372 451044  
e-mail: [ir@photo-me.co.uk](mailto:ir@photo-me.co.uk)

## Financial calendar

<b>Annual General Meeting</b>	25 October 2017
<b>Half year results</b> (to 31 October 2017)	Announcement in December 2017
<b>Full year results</b> (to 30 April 2018)	Announcement in June/July 2018
<b>Dividend</b>	
Final (year to 30 April 2017) – ex dividend date	12 October 2017
– record date	13 October 2017
– payment date	10 November 2017





# Photo-Me

**Photo-Me International plc**

Church Road, Bookham  
Surrey KT23 3EU

T: +44(0)1372 453399

F: +44(0)1372 451044

W: [www.photo-me.com](http://www.photo-me.com)