Photo-Me

EXECUTION & EVOLUTION

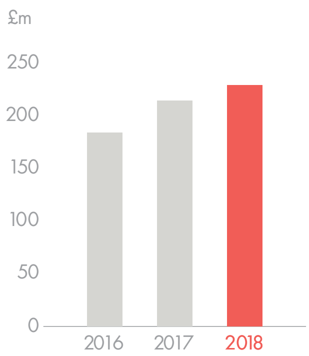
ANNUAL REPORT 2018

FINANCIAL HIGHLIGHTS

Reported Revenue

£229.8m

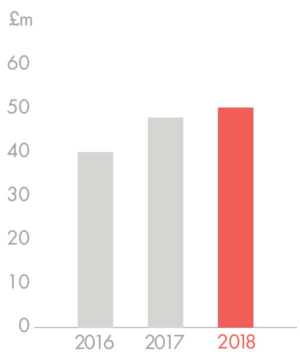
2017: £214.7m
2016: £184.4m



Reported profit before tax

£50.2m

2017: £48.0m
2016: £40.1m



Cash generated from operations

£61.0m

2017: £61.3m
2016: £51.4m

Total ordinary dividend per share

8.44p

2017: 7.03p*
2016: 5.86p

* Excludes special dividend of 2.815p per share

Reported EBITDA
£m

£71.0m

2017: £69.0m
2016: £56.7m

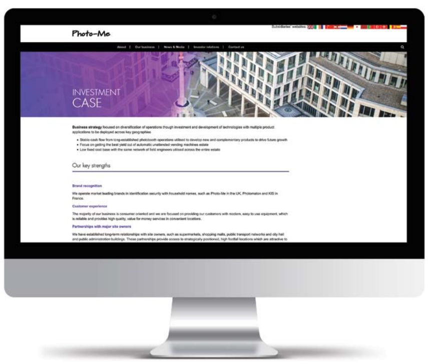
Earnings per share
(diluted)

10.60p

2017: 9.27p
2016: 7.72p

FURTHER INFORMATION

For more information go to our website;
photo-me.com/investor-relations



ABOUT PHOTO-ME

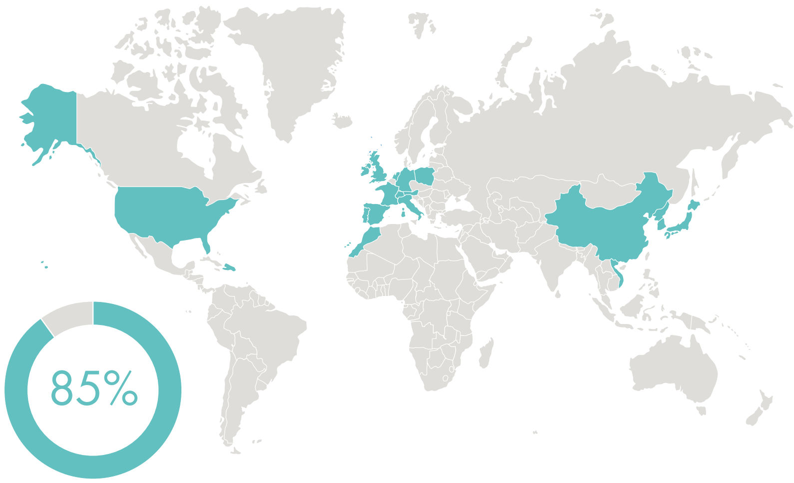
WE ARE...
an international market leader in automated instant-service equipment, with more than 46,700 unattended vending units across 18 countries.

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.

OUR INTERNATIONAL PRESENCE
We currently operate in 18 countries worldwide, with a focus on three core geographic areas: UK & Ireland, Continental Europe and Asia.

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



of our profits are generated outside the UK.

CONTENTS

STRATEGIC REPORT

OUR BUSINESS MODEL

OUR BUSINESS IS FOCUSED
ON THREE PRINCIPAL AREAS:

IDENTIFICATION

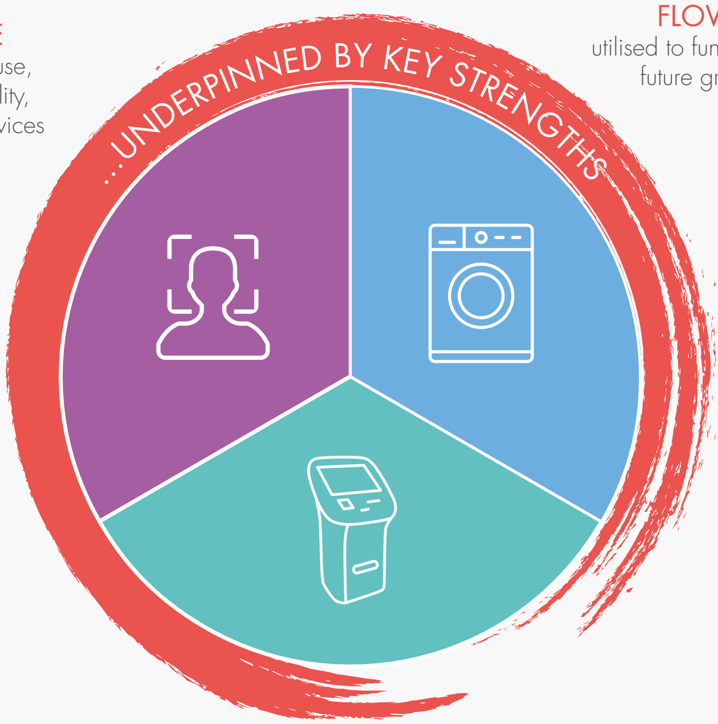
LAUNDRY

KIOSKS

LONG-TERM PARTNERSHIPS
with site owners (supermarkets, shopping malls, public transport and public administration buildings)

CUSTOMER EXPERIENCE
providing easy-to-use, reliable, high quality, value-for-money services

STABLE CASH FLOWS
utilised to fund R&D for future growth



TECHNOLOGY & INNOVATION
production of proprietary solutions & continuous focus on diversification

ESTABLISHED NETWORK
of engineers able to support growth across business segments at limited cost

BRAND RECOGNITION
Photo-Me's products are household names

TELEMETRY SYSTEM
Sophisticated and tailored to Photo-Me's proprietary technology

INDUSTRY EXPERT
with over 50 years of involvement with regulatory bodies (ISO, ICAO, HMPO et al)

COMPETITIVE PRICING
Carefully and consistently benchmarked against market

OUR BUSINESS

IDENTIFICATION

An established, international network of more than 29,000 photobooths across 18 countries, primarily aimed at the consumer market.

GROWTH DRIVERS

Governments increasingly seeking improved and digitalised security ID to combat fraud and terrorist activity.

Identification solutions for government. We have continued to expand the photo ID capabilities and services available in our photobooths.

OUR OPERATIONS

CONFORM TO INTERNATIONAL STANDARDS

Integrated proprietary software ensures all photographs conform to International Civil Aviation Organisation (ICAO) regulations for photo identification.

DEDICATED SUPPORT, MAINTENANCE AND REMOTE TELEMETRY

Network supported, maintained and upgraded by our skilled team of approximately 700 field engineers and connected via remote monitoring telemetry.

MARKET LEADING BRANDS ACROSS ALL OUR OPERATING REGIONS

Market leading brand across all our geographies. Photo-Me, Photomaton, ProntoPhot, FOTO.FIX, PRONTO PHOT, Foto-Já!

We are rolling out encrypted ID photo capture in partnership with governments across the world.

To date, our government ID security solutions have been successfully deployed in France, Switzerland, Germany, China, Japan, Georgia, Ireland and the UK.

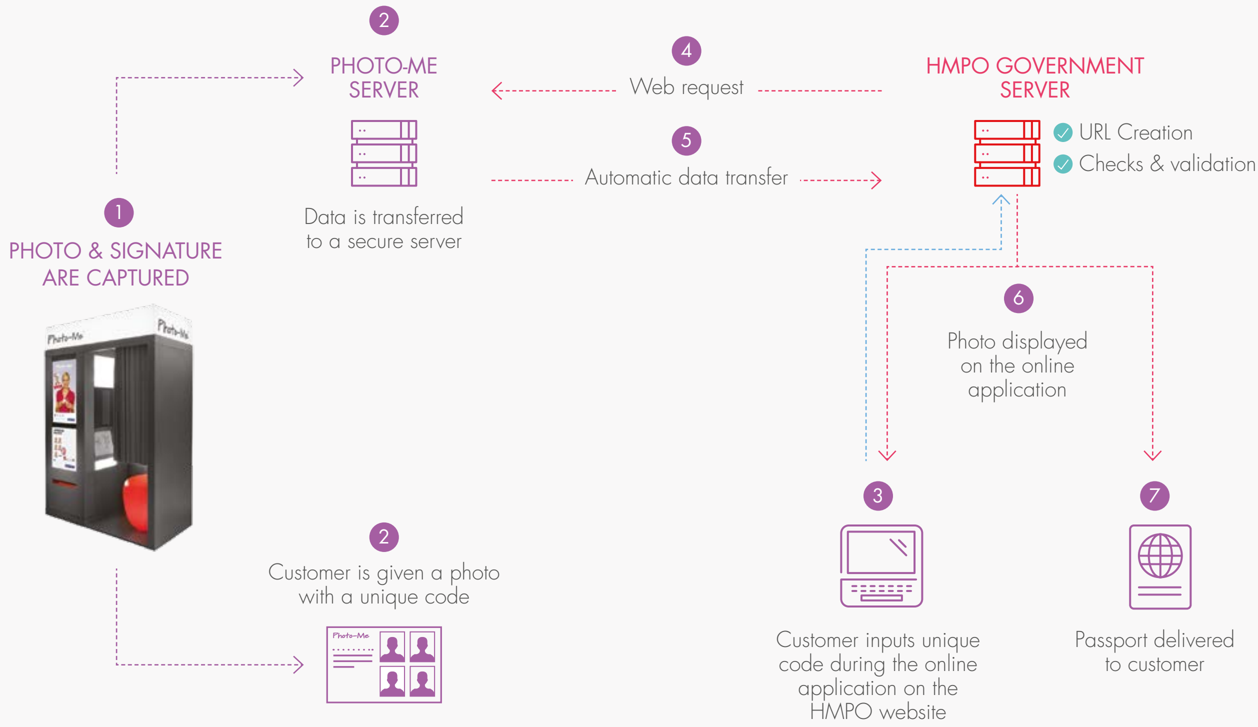
CASE STUDY: STRATEGIC PROGRESS ACHIEVED ON IDENTIFICATION GROWTH STRATEGY

Encrypted digital photo ID upload technology for UK passport renewals

- **Late 2017** — Positive conclusion of discussions with Her Majesty's Passport Office
- **Mid-December 2017** — Launched deployment of e-passport technology in UK photobooths
- **April 2018** — 2,200 photobooths upgraded as at 30 April 2018
- **December 2018** — 4,000 photobooth upgrades planned by end of December 2018

OVERVIEW

- Photobooth technology guides users to help them comply with the ICAO standard and automatically detects whether a photo meets these standards
- Encrypted digital photo ID upload enables the secure transfer of photo ID data directly from Photo-Me's photobooths to HMPO servers and removes the opportunity for photo ID to be manipulated



Benefits of this technology

For consumers

Unique photo ID code issued to the customer for their online passport application.

Great customer experience through an easy to use, reliable, high-quality and value-for-money service.

For government

Simplification of administrative process, which provides a secure, quick and easy way to digitalise and transfer sensitive biometric data which cannot be corrupted (customer does not have access to the data).

LAUNDRY

Laundry business launched in 2012 and remains the primary key growth driver for the Group.

GROWTH DRIVERS

Demand for convenient, high-capacity laundry services at competitive prices.

OUR OPERATIONS

4,449 LAUNDRY UNITS DEPLOYED

Total of 4,449 owned, operated and acquired laundry units (since launch in 2012).

2,313 REVOLUTION MACHINES IN OPERATION

Photo-Me operates laundry units across 12 countries – primarily in France, Ireland, Belgium and Portugal.

TARGET TO DEPLOY 6,000 LAUNDRY UNITS BY 2020

On track to deploy 6,000 laundry units (owned, sold and acquired) by 2020 and increase geographic presence.

WE OPERATE IN THREE KEY AREAS

Revolution standalone laundry units, Self-service launderettes and B2B laundry services.

OUR THREE KEY LAUNDRY OPERATING AREAS

REVOLUTION STANDALONE LAUNDRY UNITS

2,313 Revolution units in operation across 12 countries – primarily France, UK, Ireland, Belgium and Portugal.

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.

SELF-SERVICE LAUNDERETTES

We operate laundrettes in France, Spain, Portugal, Ireland and Japan.

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

B2B LAUNDRY SERVICES

B2B laundry service primarily located in the UK and Spain.

Business-to-business distribution and leasing of laundry and catering equipment to institutions such as hospitals, care homes and universities, in the UK through Fowler UK, Tersus/Inox and in Spain through La Wash (acquired May 2018).

CASE STUDY: STRATEGIC PROGRESS ACHIEVED IN DELIVERING RAPID LAUNDRY GROWTH

Laundry strategy driving significant shift in revenue mix in Portugal and Ireland

OVERVIEW

Organic and acquisitive laundry expansion strategy

+37%
Total of 4,449 laundry units deployed (owned, sold & acquired) since launch in 2012

+69%
Total revenue from laundry operations up 69% to £36.7m

+49%
Total revenue from Revolution units up 49% to £21.2m

+32%
Number of Revolution units increased by 32% to 2,313 (2017: 1,750), representing 5.0% of total Group vending estate (2017: 3.6%)

PORTUGAL

First Revolution laundry machine installed in May 2014

Total of 188 units deployed as at 30 April 2018 (2017: 135), up 39.3% year-on-year

Laundry revenue was £1.4m as at 30 April 2018 (2017: £0.9m), up 55.6% year-on-year

Significant shift in revenue mix with laundry now representing 68.9% of total revenue in Portugal (2017: 60.6%)

IRELAND

First Revolution laundry machine installed in May 2014

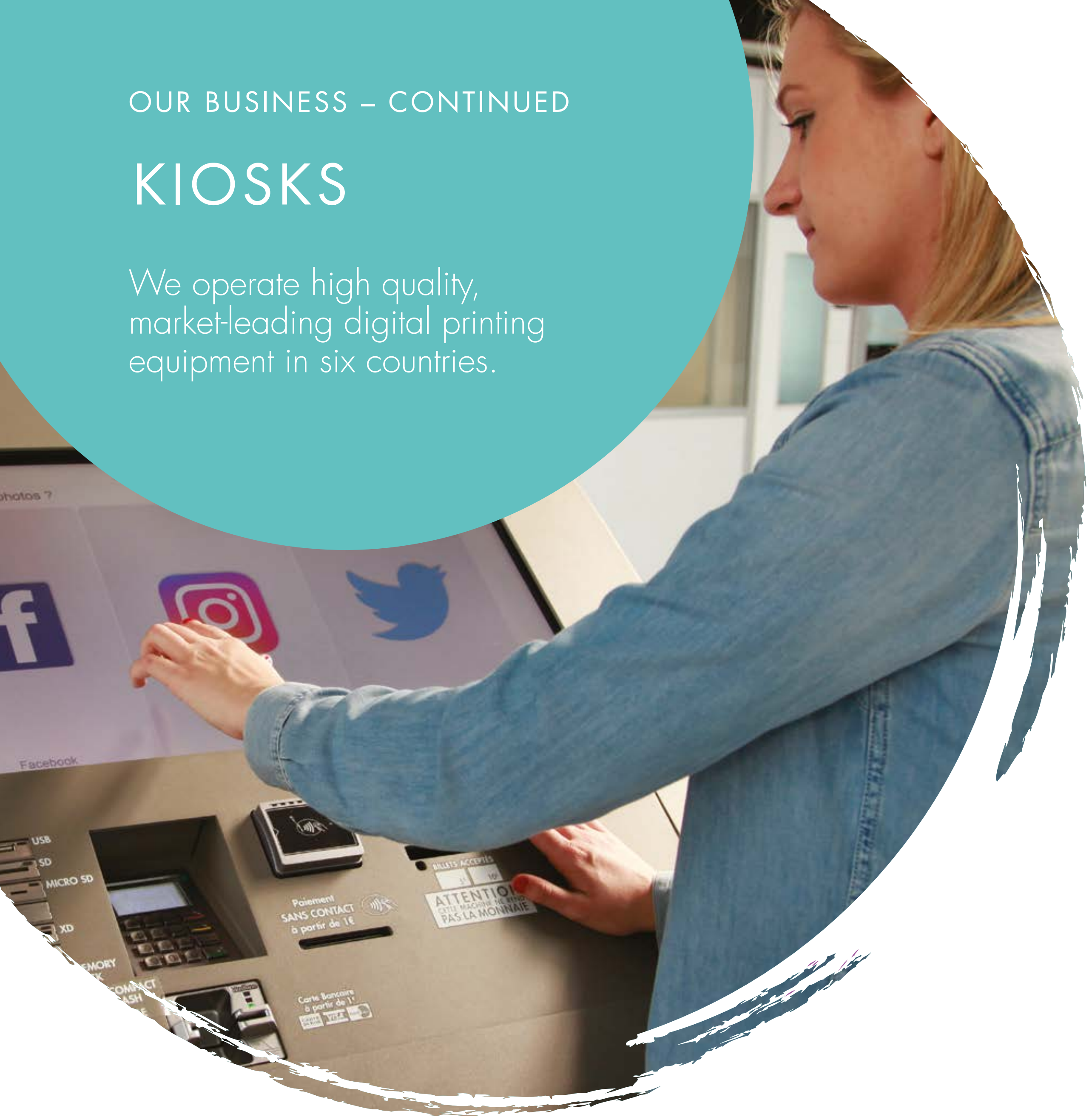
Total of 272 units deployed as at 30 April 2018 (2017: 179), up 52.0% year-on-year

Laundry revenue was £4.0m as at 30 April 2018 (2017: £2.3m), up 73.9% year-on-year

Significant shift in revenue mix with laundry now representing 69.8% of total revenue in Ireland (2017: 63.1%)

KIOSKS

We operate high quality, market-leading digital printing equipment in six countries.



GROWTH DRIVERS

Increased use of smartphones and digital sharing across social media networks.

A fragmented market with expansion opportunities across Europe, the US and Asia.

OUR OPERATIONS

+5,000 DIGITAL PRINTING KIOSKS WORLDWIDE

5,416 printing kiosks in France, UK, Japan, Belgium, Switzerland and the Netherlands.

FULLY INTEGRATED WITH ALL MAJOR SOCIAL MEDIA NETWORKS

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

OTHER UNATTENDED VENDING EQUIPMENT

Our estate includes a variety of unattended vending equipment.

This business area includes unattended children's rides and amusement machines which are typically located on high footfall sites where Photo-Me has an existing presence and established relationship with the site owner.

GROWTH STRATEGY

Our business strategy remains focused on the diversification of our operations – principally focused on our three key business areas.

Good strategic progress has been achieved in the year, led by continued rapid expansion of our laundry operations and the further deployment of photo ID security services.

Our established photobooth operations are highly cash generative and fund our in-house technological innovation to develop new and complementary products, which can be rapidly deployed to existing and new territories to drive future growth by getting the best yield from our unattended vending estate and leveraging the scale of our operations.

OUR GROWTH STRATEGY (2017 TO 2020)

IDENTIFICATION

- Target expansion into high footfall locations
- Penetrate new territories
- Grow revenue through multiple service offering
- Deploy proven identification security technologies into existing and new territories

LAUNDRY

- Deploy 6,000 owned, sold and acquired laundry units by 2020
- Identify and deliver products to new high demand markets
- Expand launderette presence through the owned/operated model
- Extend B2B offering in the UK and into new territories

KIOSKS

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

INNOVATION FOR FUTURE GROWTH

In the financial year ended 30 April 2018, we invested approximately £43.6 million in the business. Investment in innovation for future growth lies at the core of our business.

We have international research and development capabilities, which include:

£2.5m
Total investment in innovation 2018

+45%
Laundry capex increased by 45% to £15.2m

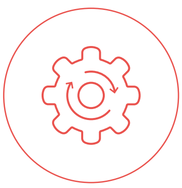
+11.6%
Identification capex increased by 11.6% to £13.4m

EXPERIENCED EXPERTS
More than 60 highly experienced engineers specialising in new products, including identification and software development, aligned to our strategic priorities.

FRANCE
Primary R&D centre located in France (Echirolles), which is focused on identifying new market opportunities, new product development, and pilot production and testing of new products prior to scaled production.

ASIA
Further R&D centres in China (Shanghai), Vietnam (Hanoi) and Japan (Tokyo).

OUR KEY AREAS OF FOCUS REMAIN:



REFURBISHMENT AND UPGRADES

PROPRIETARY SECURITY BIOMETRIC IDENTIFICATION SOLUTIONS

NEW PRODUCT DEVELOPMENT

Track record of new product innovation

1981
MINILAB
Invention of the Minilab.

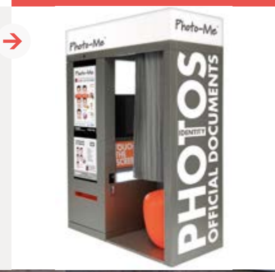
1994
PHOTOBOOTH
First photobooth with digital technology.

2006
PHOTOMATON ID SOFTWARE
Providing ICAO compliant ID photos.

2006
SPEEDLAB II
Self-service photo processing kiosk.

2009
PHOTOBOOK MAKER
First kiosk to print instant photo albums (15cm x 20 cm format).

2011
PHOTO-ME BY STARCK
First photobooth with social media connection for photo sharing. Designed by Philippe Starck.



2012
PHOTOLIGHT
High quality solar powered lighting.

2013
SPEEDLAB PHONE CASE KIOSK
First self-service kiosk to personalise smart-phone covers with your own photos.

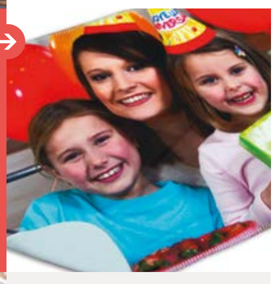
2013
REVOLUTION
Self-service outdoor laundrette. Economical and eco-friendly professional washing machines.

2014
WALL'N GO
First instant self-service wallpaper printing machine.

2014
SPEEDLAB BIO & SPEEDLAB CUBE
Connected photo kiosks. Designed by Philippe Starck.

2015
MONEY TRANSFER
In partnership with MoneyGram.

2016
PHOTO GIFTS
Development of a photos gifts range available on SpeedLab Bio and SpeedLab Cube.



2016
3D BOOTH BY STARCK
First photobooth to create a lifelike figurine.

2016
UNIVERSAL BOOTH BY STARCK
Latest version of our Universal Photobooth, accessible to all users.

2016
COMPACT REVOLUTION
New outdoor self-service Compact Revolution laundrette.

2016
INTERNAL LAUNDRETTE 'LAVERINE KIS WASH'
New self-service internal laundrette.

CASE STUDY: SECURE BIOMETRIC ID SOLUTIONS

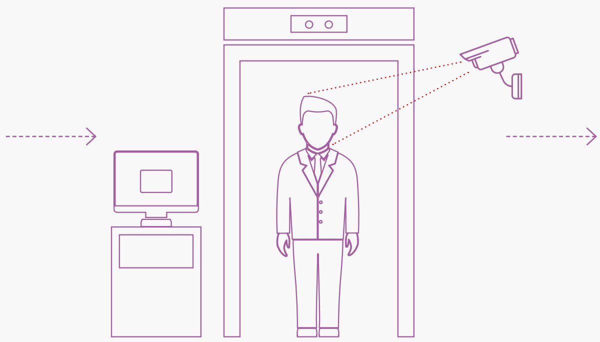
3D Enrolment Booth

OVERVIEW

- Increased government focus on secure identification systems that comply with the latest standards of identity assurance and privacy protection.
- Photo-Me has recently developed a 3D Enrolment Booth that can improve facial recognition accuracy by more than 100% for applications such as access control, video surveillance and secure payments.

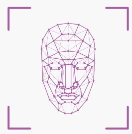
3D ENROLMENT BOOTH

OPERATE YOUR USUAL SECURITY SYSTEM



IMPLEMENT FACIAL RECOGNITION FROM ANY ANGLE

Security camera picture



Matching 3D image, with the same angle as the security camera

1. Passport or identity card is scanned.
2. 3D facial image is captured.
3. The user's identity is confirmed by matching the 3D image to the passport or identity card.
4. A QR–coded receipt is printed (or an ID badge).
5. The procedure is recorded by a security camera integrated in the booth. The video is transfered to a secure cloud server.

Benefits of this technology

Facial recognition can be over 100% more accurate than a 2D image, depending on the the angle

Unrivaled level of security

Complementary with other types of biometric security

AWARD-WINNING NEW PRODUCT DEVELOPMENT

We showcased selected new products at TRUSTECH, a large event dedicated to Trust Based Technology in Cannes, France.

- Our banking booth technology won the 2017 Sesames Award for Best eTransactions Solution.
- Our 3D Enrolment Kiosk product was a finalist.

The Awards are given in recognition of the best innovations in payments, identification, digital security and wireless technology.

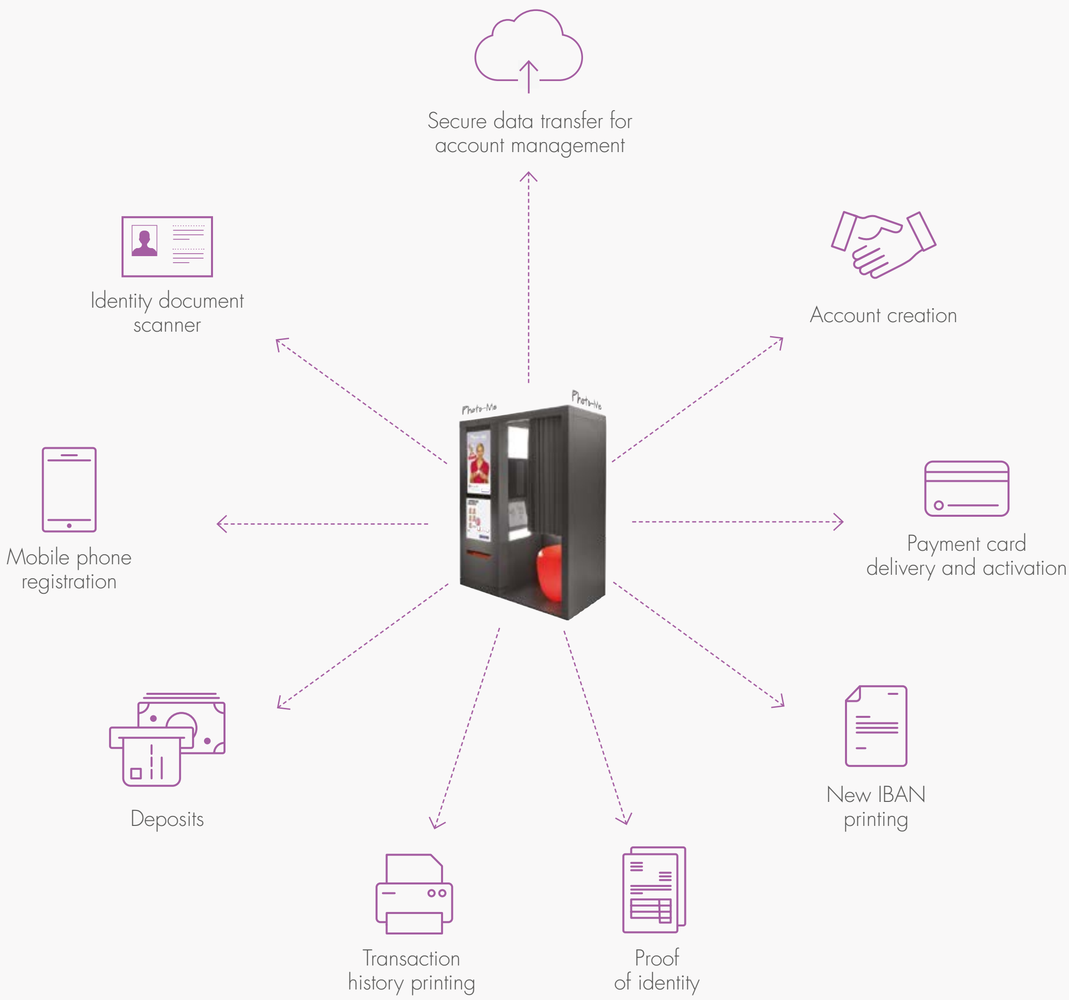
SESAMES AWARDS

CASE STUDY: NEW PRODUCT DEVELOPMENT WITH THE OPPORTUNITY TO EXPAND PHOTOBOOTH SERVICES

Banking Booth: Front-end retail banking services

OVERVIEW

- Front-end retail banking services via our established photobooth network, supporting fintech companies competing with traditional high street banks.
- Leverage our presence in high footfall locations and our ability to deploy technology rapidly at low incremental cost to the business.
- Ongoing discussion regarding deployment of this product.



Benefits of this technology

For consumers

100% instant, self-service banking services through secure data transfer for account management, such as instant card delivery and activation services, deposits and printing of transaction histories. Video link customer support available if needed.

For banks

Helps to address the need from financial institutions to find additional, cost effective platforms to support their traditional network, especially in the context of the rationalisation of the banking industry and cloud-based systems and smartphones.

CHAIRMAN'S STATEMENT

The Group remains highly cash generative, with £61.0 million of its cash generated from operations in the period. This supports the Group's ongoing investment in innovation and its future growth.

JOHN LEWIS
Non-executive Chairman

Reported revenue
£229.8m
+7.1%

Reported EBITDA
£71.0m
+2.8%

Net cash position
£26.7m
-31.9%

Reported profit before tax
£50.2m
+4.4%

In the 2018 financial year, the Group delivered further financial and operational progress. Our Laundry business has once again been the growth driver of the Group, with revenues increasing 69% over the 12 month period, and we have continued to deliver growth in our Identification business across all of Photo-Me's countries of operation apart from Japan.

RESULTS

Reported revenue increased by 7.1% to £229.8 million (5.9% at constant currency). This growth was driven by further expansion of our Laundry operations, continued deployment of secure photo ID services and progress in the unattended digital photo printing kiosk business.

Reported EBITDA increased by 2.8% to £71.0 million (2017: £69.0 million).

Reported profit before tax rose by 4.4% to £50.2 million, including a one-off investment gain of £3.7 million relating to the Group's shareholding in Max Sight Group Holdings Limited. In addition, these results recognise a £2.3 million profit on the sale of the head office building in Bookham and a one-off £2.6 million Photo-Me Retail restructuring cost. At constant currency profit before tax increased by 2.5% to £50.2 million (2017: £49.0 million).

Underlying profit before tax, which is 2018 profit before tax adjusted to exclude the gain on the Group's shareholding in Max Sight Holdings Limited, the profit on disposal of the former head office building, and restructuring costs relating Photo-Me Retail, was stable at £46.8 million (2017: £46.6 million, excluding the translation reserve taken to profit on disposal of a subsidiary). At constant currency, the underlying profit before tax decreased by 1.6%. A reconciliation of underlying profit before tax to reported profit before tax is provided in note 4 to the financial statements.

During the period, the Group achieved a significant increase in profit after tax, up 14.7%, supported by a reduction of Photo-Me's tax rate.

The Group remains highly cash generative, with £61.0 million of its cash generated from operations in the period. This supports the Group's ongoing investment in innovation and its future growth.

Higher capital expenditure year-on-year supported investment in key laundry acquisitions as part of the Group's strategy to deliver substantial growth in the medium and long-term, as well as the restructuring of Photo-Me Retail. This resulted in a Group net cash position as at 30 April 2018 of £26.7 million, compared with net cash of £39.2 million as at 30 April 2017. This net cash position is after the 20% uplift in dividend payments, of £26.5 million, reflecting the Group's progressive dividend policy (2017: £32.6 million), and investments of £43.6 million (2017: £43.5 million) as part of the Group's ongoing investment in the expansion of its existing services and new product innovation in the 2018 financial year.

STRATEGY

Photo-Me operates, sells, and services a wide range of instant-service equipment. Our operations are focused on three principal business areas: Identification, Laundry, and Digital printing kiosks which we currently operate in 18 countries.

The Group's growth strategy is centred on diversifying operations in these three principal business areas by developing new technologies with multiple applications, which can be speedily deployed across new and existing territories and provide a rapid return on investment.

The stable cash flow from our established photobooth business supports our investment plans, including in-house technological innovation. Furthermore, the scale of our operations and low fixed cost base enables us to deploy new products and services at a relatively low cost to the business.

During the year, we continued to make excellent progress in the expansion of our Laundry business and the deployment of our photobooth identification solutions. In addition, we invested in technological innovation and the commercialisation of new products. Details of our strategic progress are set out in the Business Review.

RESTRUCTURING OF JAPANESE SUBSIDIARY

The Japanese photo-identification market continues to be highly competitive, with the highest density of photobooth units per person of any country worldwide. The number of photobooths increased significantly following the launch of the Japanese government's My Number ID card programme. However, this card programme is not compulsory and has not gained the momentum photobooth operators initially anticipated.

During the financial year ending 30 April 2019, the Group will invest in a thorough restructuring of its Japanese subsidiary which is expected to improve profitability in FY19 and beyond.

The planned restructuring will involve a management reorganisation, rationalisation of administrative functions, the re-location of low revenue machines, and removal of unprofitable units. In addition, the Group will introduce a new photobooth to the country, the production of which is significantly cheaper than previous units deployed. We expect these decisive initiatives to enable our Japanese business to return to growth in the medium term. Our underlying profit expectations for the financial year ending 30 April 2019 take into consideration this restructuring cost.

DIVIDENDS

Photo-Me is committed to creating value for its shareholders. The business is both highly cash-generative and lowly leveraged, enabling the Board to constantly invest in the ongoing and future growth of the business, whilst also delivering very attractive returns to our shareholders.

In 2016, the Board pledged to increase the ordinary dividend by 20% for the financial years ending 30 April 2017 and 30 April 2018. In line with this pledge, the Board is proposing a final dividend payment of 4.73 pence per share (2017: 3.94 pence per share). When combined with the interim dividend of 3.71 pence per ordinary share, this brings the total dividend for the year ended 30 April 2018 to 8.44 pence per ordinary share, representing a 20.1% year-on-year increase (2017: 7.03 pence per ordinary share).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 9 November 2018 to shareholders listed on the register on 19 October 2018. The ex-dividend date will be 18 October 2018.

For the current financial year ending 30 April 2019, the Board intends to maintain a total dividend of 8.44 pence per ordinary share.

THE BOARD

On 2 May 2018, after the year end, Eric Mergui was appointed an Executive Director of the Group. He will continue in his role as Chief Operating Officer. Eric Mergui joined the Group in 1995 and was appointed Chief Operating Officer in 2015. Before this, he headed up Photo-Me's European operations and oversaw the development of Photo-Me's business in China.

The Board looks forward to working with Eric and benefiting from his breadth of industry knowledge and expertise.

COLLEAGUES

Our management team and employees around the world have worked extremely hard in the financial year. On behalf of the Board, I would like to thank them for their continued dedication and contribution.

CURRENT TRADING AND OUTLOOK

The Laundry business grew significantly in the 2018 financial year (revenue up 69% year on year) underpinning our confidence that our Laundry operations will contribute an increasingly significant share of Group profits as we expand within existing markets, and penetrate new ones. Alongside this, we expect our Identification business to maintain its strong performance and our main focus will be on increasing our government partnerships for our secure ID upload technology. We expect our photobooth estate to continue to deliver steady cash flows to support our ongoing investment in innovation and the international expansion of our vending estate.

In the UK, whilst there is a risk that departure from the European Union may affect photo ID market growth, in the short to medium term the Group may benefit from an influx of blue passport renewals requiring photo ID. Furthermore, the Group would benefit from foreign exchange translation if sterling were devalued against the Euro.

As previously announced, taking into account the restructuring of our Japanese subsidiary, the Board now believes that profit before tax for the year ending 30 April 2019 will be at least £44 million, which includes the reorganisation cost in Japan.

The Board remain confident about the Group's prospects.

John Lewis
Non-executive Chairman
10 July 2018

CHIEF EXECUTIVE'S REPORT
Business review

Our strategy is to grow each of our principal areas of business through ongoing investment in new technologies and complementary products and services.

SERGE CRASNIANSKI
Chief Executive Officer & Deputy Chairman

The 2018 financial year was focused on the execution of our growth strategy. We are pleased to report that good operational progress was achieved with Group revenue increasing by 7.1% and EBITDA by 2.8%.

The expansion of our Laundry operations, both organically and by acquisition, remained the primary growth driver for the Group. Our photo-identification business once again delivered growth in line with our expectations, except in Japan.

EXECUTION OF OUR STRATEGY

Our strategy is unchanged. We aim to grow each of our three principal areas of business through ongoing investment in new technologies and complementary products and services.

We have a solid business model both in terms of Identification, with the adoption of new biometric and government standards, and in the laundry services market. In Laundry, our aim is to further expand our operations to deliver a significant revenue contribution in the future.

Our geographical presence and network of field engineers enables us to leverage the scale of our operations and quickly deploy these products and services at low incremental cost to the business, providing a rapid return on investment.

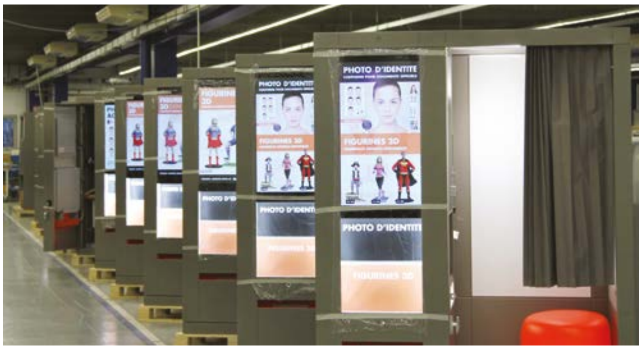
Essentially, we are focused on expanding the number of units in operation, increasing the yield per unit, and minimising production and operational costs to the Group in achieving this objective.

Site owners and large retailer chains, who are competing with online retailers, have realised the importance of providing additional services, such as photobooths, laundry services and kiosks, which help to attract customers to their sites and shops.

KEY READS IN THE BUSINESS REVIEW SECTION:

OVERVIEW BY PRINCIPAL BUSINESS AREA

IDENTIFICATION
(PHOTOBOOTHS AND INTEGRATED BIOMETRIC IDENTIFICATION SOLUTIONS)



	30 April 2018	30 April 2017	Change %
Number of units in operation	29,015	28,541	+1.7%
Percentage of total Group vending estate (number of units)	62.0%	59.0%	+5.1%
Revenue	£149.3m	£152.2m	-1.9%
Capex	£13.4m	£12.0m	+11.6%

Photo-Me is the world's largest operator of photobooths with market-leading photographic quality and technology, operating a well-established network of photobooths.

Our strategy is to;
(i) expand our presence in high-footfall locations,
(ii) grow revenue by offering customers a broader range of services via our photobooths, and
(iii) penetrate new territories. In particular, we are focused on deploying our proven identification security technology.

The increasing appetite from governments for improved and digitalised security ID underpin our growth strategy.

Excluding Japan, revenue from the Identification business increased by 1.2% in the 2018 financial year.

LAUNDRY
(UNATTENDED LAUNDRY SERVICES, LAUNDERETTES, B2B SERVICES)

	30 April 2018	30 April 2017	Change %
Total laundry units deployed (owned, sold and acquisitions)	4,449	3,251	+36.9%
Total revenue from laundry operations	£36.7m	£21.7m	+69.1%
Revolutions (excludes Launderettes and B2B):			
Number of Revolutions in operation	2,313	1,750	+32.2%
Percentage of total Group vending estate (number of units)	5.0%	3.6%	+38.9%
Total revenue from Revolutions	£21.2m	£14.2m	+49.3%
Revolution capex	£15.2m	£10.5m	+44.8%

The Group owns and operates laundry units and has a presence in 12 countries, with operations primarily in France, UK, Ireland, Belgium and Portugal. The expansion of our Laundry business, which delivers the highest margins of Photo-Me's three principal business areas, remains the primary growth driver for the Group.

Total Laundry revenue now accounts for 16% of total Group revenue (2017: 10%). This reflects the significant expansion of our Laundry operations in recent years, which is set to continue.

We remain on track to deploy 6,000 owned and sold laundry units by 2020. With continued growth in laundry (organic and by acquisition), these operations will contribute an increasingly dominant share to Group profits.

Our Laundry business is comprised of three areas of operation: Revolution, Launderette, and Business-to-business ("B2B") laundry services.

Revolution is our 24-hour, outdoor, self-service laundry unit which is typically located in high-footfall sites such as supermarket car parks or petrol station forecourts. The Revolution unit comprises two larger washers and a dryer and is manufactured in 10m2 and 5m2 footprints, providing flexibility in different locations and the demands of different geographic markets. Our Revolution growth strategy is to expand the estate through our partnerships with strategic site owners globally, and identify and expand into new high-demand markets.

Year-on-year, the Group increased its Revolution estate by 32.2% globally, with 2,313 Revolution machines operated as at 30 April 2018 (2017: 1,750). Revolutions now represent 5.0% of our total vending estate and the revenue contribution increased by 69%.

The continued, and further accelerated growth of this estate will be supported by increased production capacity. In the first half of the year the Group's manufacturing partner transferred production from Hungary to Poland, enabling it to increase production volumes. The early benefits of these additional volumes started to come through towards the end of the financial year ended 30 April 2018.

Launderette shops are typically situated in or near to town centres where there is limited competition from other laundry services. Our aim is to expand our launderette presence through an owned-and-operated model.

Our Launderette strategy is to identify and fit out suitable new and existing retail sites and to acquire underperforming launderette businesses located at attractive locations. We then refit the shops in a stylish, contemporary format that is more attractive to the end consumer to deliver good profitability. In addition, we take an opportunistic approach to evaluating potential bolt-on acquisitions that will further accelerate our growth in attractive markets.

Our Business-to-business (B2B) laundry services provide the distribution and leasing of laundry and catering equipment. Our B2B customers include institutions such as hospitals, care homes and universities. Our B2B laundry services strategy is to extend our presence both in the UK and into new territories through acquisitive growth.

We have made good progress in the year, with the acquisition of two B2B laundry service businesses in the UK to complement our existing offer provided through Fowler UK (acquired in 2016). Inox Equip Ltd. and Tersus Ltd, two companies that design, procure and lease laundry and catering equipment to businesses and institutions, were acquired by the Group in July 2017. The profit of the Group's B2B laundry services amounted to £1.3 million for the year ended 30 April 2018. We continue to seek out further B2B acquisition opportunities, with a focus on Continental Europe.

In May 2018, the Group acquired La Wash Group, a leader in the Spanish B2B laundry services market, for a consideration of €4.75 million. The business, which is a franchise model, has annual revenue of €3.7 million for the year ended 31 December 2017, along with a profit before tax of €796,000 for the same period. In the current financial year, we will benefit from both a financial contribution from La Wash and the company's launderette expertise.

KIOSKS (HIGH-QUALITY DIGITAL PRINTING SERVICES)

	30 April 2018	30 April 2017	Change %
Number of units in operation	**5,416**	5,872	(7.8)%
Percentage of total Group vending estate (number of units)	**11.6%**	12.2%	(4.9)%
Revenue	**£16.5m**	£13.3m	24.1%
Capex	**£3.4m**	£6.9m	(50.7)%

Our digital printing kiosks offer a wide range of print formats and personalised products which are competitively priced. Our latest generation kiosks – Speedlab cube and Speedlab bio – are fully integrated with all major social media networks and offer rapid and high-quality printing for customers.

Our key geographic markets are France, UK and Switzerland. Our strategy is to capitalise on our market-leading position by increasing our presence in high-footfall locations, extending the range of services in our kiosks, and entering new territories.

Overall, kiosks achieved revenue growth of 24.1% in the 2018 financial year, mainly due to the reorganisation of Photo-Me Retail, where we have replaced manned sites with unattended vending machines (predominantly Speedlab cube). This restructuring programme also resulted in a small decrease of kiosk machines, delivering positive results.

OTHER VENDING EQUIPMENT

This business area comprises vending equipment such as children's rides, photocopiers and amusement machines. These are typically an extension of our product range at sites where we have an existing relationship with the site owner. Whilst this is not one of our three principal business areas, these machines are profitable and benefit from synergies relating to other areas of the business, such as our network of field engineers.

Further details on financial and strategic progress in each of our three principal areas of operation are provided in the Review of Performance by Geography.

We are in discussions with financial institutions to provide front-end retail banking services to customers via our photobooth network. The Board believes this technology supports the changing dynamics for the retail banking industry and the need for financial institutions to utilise lower cost platforms to maintain their traditional network, especially in the context of the rationalisation of the banking industry.

In addition, we continue to identify opportunities to extend our biometric and 3D capture technology.

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 is consistent with the information prepared to support the Board decision process. Although the Company organisation is not based on product lines, some commentary below relates to the performance of specific products in the relevant territories.

KEY FINANCIALS

The Group reports its financial performance based on three geographic areas of operation: (i) Continental Europe; (ii) UK & Ireland; and (iii) Asia.

In Continental Europe, revenue grew by 8.5%, and in the UK & Ireland revenue increased by 18.8%. Asia was down 8.8%, reflecting challenging market conditions for our Identification business in Japan.

The operating profit decrease in Continental Europe was due to non-recurring profits in the 2017 financial year. At constant currency, operating profit reduced by 9.6%.

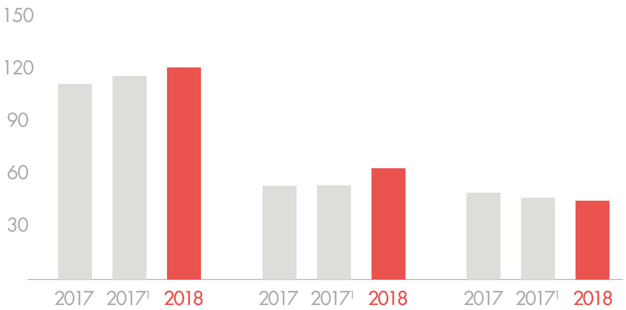
	Reported segment revenue Year to 30 April				Segment operating profit Year to 30 April			
	2018 £m	2017 £m	Change[2] %	2017[1] £m	**2018 £m**	2017 £m	Change[2] %	2017[1] £m
Continental Europe	**121.1**	111.7	8.5%	116.3	**31.9**	33.9	(5.8)%	35.3
UK & Republic of Ireland	**63.6**	53.6	18.8%	53.8	**10.4**	7.3	42.5%	7.3
Asia	**45.0**	49.4	(8.8)%	46.8	**5.4**	8.4	(35.7)%	8.0
	229.8	214.7	7.1%	216.9	**47.7**	49.6	(3.8)%	50.6
Corporate costs					**(1.6)**	(2.8)		(2.9)
					46.1	46.8		47.7

1 2017 trading results of overseas subsidiaries converted at 2018 exchange rates.
2 Refers to change compared to reported results.

Segment revenue
Year to 30 April 2018

£229.8m
+7.1%

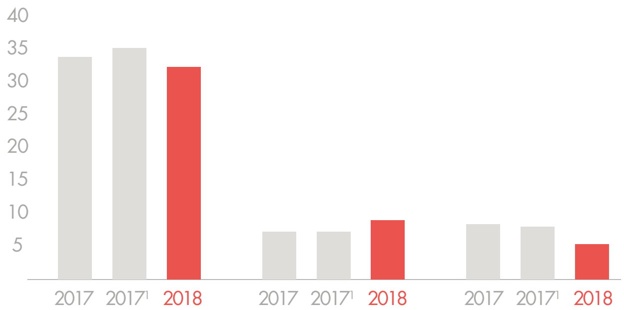
Continental Europe	UK & Republic of Ireland	Asia
£121.1m	£63.6m	£45.0m
+8.5%	+18.8%	-8.8%
2017: £111.7m	2017: £53.6m	2017: £49.4m
2017[1]: £116.3m	2017[1]: £53.8m	2017[1]: £46.8m



Segment operating profit
Year to 30 April 2018

£47.7m
-3.8%

Continental Europe	UK & Republic of Ireland	Asia
£31.9m	£10.4m	£5.4m
-5.8%	+42.5%	-35.7%
2017: £33.9m	2017: £7.3m	2017: £8.4m
2017[1]: £35.3m	2017[1]: £7.3m	2017[1]: £8.0m



1 2017 trading results of overseas subsidiaries converted at 2018 exchange rates. These charts compare 2018 reported results with 2017 reported results and 2017 results at constant.

VENDING UNITS IN OPERATIONS

Once again, the investment focus in the financial year was the expansion of our Laundry business as we continue to grow and diversify our unattended vending estate.

Steady growth in Continental Europe was driven by the continued rollout of Revolution units. A reduction in units in the UK & Ireland reflects the restructuring of Photo-Me Retail, now completed, and the removal of old unprofitable machines; but this decline was mostly offset by growth in our laundry business in this territory. In Asia, our photobooth estate continued to grow, up 3.9%, while the decline in overall vending units reflected the removal of old sticker machines.

	2018		2017		**Change year-on-year**
	No of units	**% of total**	No of units	% of total	Change[2] %
Continental Europe[1]	24,550	52.6	23,751	49.5	3.4%
UK & Republic of Ireland[2]	12,055	25.8	13,287	27.7	(9.3)%
Asia[3]	10,105	21.6	10,908	22.8	(7.4)%
	46,710	100	47,946	100	(2.6)%

1 Mainly revolutions installation (659 units) and photobooths.
2 Photo-Me Retail restructuring (removal of 491 units) and removal of unprofitable children's rides and photobooths in UK.
3 Removal of 1,154 sticker machines in Japan.

Number of units
Year to 30 April 2018

46,710
-2.3%

Continental Europe
24,550
+3.8%
2017: 23,751

UK & Republic of Ireland
12,055
-9.1%
2017: 13,287

Asia
10,105
-7.3%
2017: 10,908

Total laundry units deployed (owned, sold, acquired)
Year to 30 April 2018

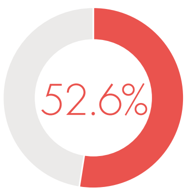
4,449
+37%

Number of Revolution units in operation

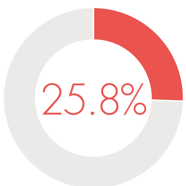
2,313
+32%

Percentage of total
Year to 30 April 2018

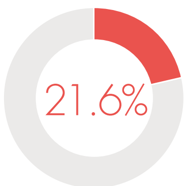
Continental Europe



UK & Republic of Ireland



Asia



CONTINENTAL EUROPE
FINANCIAL PERFORMANCE

Continental Europe has continued to deliver good revenue growth during the year, up 8.5% to £121.1 million, driven by the roll out of our laundry operations, particularly in France, Portugal and Spain.

Reported Revenue
Year to 30 April 2018

£121.1m
+8.5%

Operating profit
Year to 30 April 2018

£31.9m
-5.8%

Operating profit reduced by 5.8% to £31.9 million, due mainly to an increase in costs in this financial year. Our research and development department is focused at the moment on important long term products (3D identification as well as self-service banking) which are not mature and therefore are not a growth driver yet.

At constant currency, revenue grew by 4.2%, primarily driven by a 41.4% increase in takings from our operated laundry machines, as well as the benefit of the digital security features following upgrades to our photobooth estate in France, and the continued deployment of the latest generation of kiosks.

France remained the largest contributor to the division, with revenue up 4.9% in constant currency.

This division, which operates in Austria, Belgium, France, Germany, the Netherlands, Poland, Portugal, Spain and Switzerland, remains the largest contributor to Group performance, and continued to represent 52.7% of total Group revenue (2017: 52.0%), and 67.0% of operating profit before corporate costs (2017: 68.0%).

At 30 April 2018, 24,550 units were sited in Continental Europe (2017: 23,751), representing 52.6% of the Group total units in operation (2017: 49.5%) reflecting our laundry expansion strategy.

STRATEGIC PROGRESS

IDENTIFICATION

In France, 5,700 photobooths have now been upgraded with our secure and direct data transfer technologies for ANTS driving licence applications. These machines are performing very well, reaffirming the Group's leading position in the photo ID market.

The gradual rollout of our secure and direct data transfer technologies in photobooths in Germany continued.

We continue to explore opportunities to expand the range of services available via our photobooths. We have entered into preliminary discussions with the Dutch government regarding deployment of this direct and secure transmission photo ID technology in the Netherlands.

In France, this technology has been successfully deployed for driving licence renewals for more than one year and we are now in discussions with the government to extend the technology to renewals and new passports and identification cards.

LAUNDRY

Our Laundry operations have expanded in France, Belgium, Portugal and Spain. This resulted in a 40.4% increase in the number of operated laundry units at the 30 April 2018, compared with 30 April 2017.

Much of our Laundry expansion has been focused in France and Portugal, where results have been encouraging:

In France, new Revolution machines installations increased by 30.8% (owned Revolutions only) and revenue increase by 41.8%

In Portugal, there was a 39% increase in new Revolution machines installed (owned Revolutions only) and a corresponding 55.6% increase in revenue.

In Continental Europe we operated 63 unattended launderette shops as at 30 April 2018, compared with 44 at the end of April 2017. These sites have traded well in the period and we continue to see further opportunities to grow our launderette presence.

KIOSKS

We have set up Speedlab cube and Speedlab bio units at high footfall premises.

UK & REPUBLIC OF IRELAND
FINANCIAL PERFORMANCE

This division contributed 27.7% of Group revenue in the 2018 financial year (2017: 25.0%), and 21.8% of trading operating profit (2017: 14.7%).

Reported Revenue
Year to 30 April 2018

£63.6m
+18.8%

Operating profit
Year to 30 April 2018

£10.4m
+42.5%

Revenue increased by 18.8% to £63.6 million (acquisitions contributed £5.6 million). At constant rate of exchange revenue was up 18.2%.

Operating profit in this segment increased by 42.5% to £10.4 million there was a one-off charge of £2.6 million, relating to the restructuring of the Photo-Me Retail business.

Fowler UK, the Group's commercial laundry and catering equipment business, along with Inox and Tersus made a full-year consolidated contribution of £1.3 million to the Group's profit before tax.

This performance reflects the continued expansion of our laundry operations in Ireland and the UK and our business-to-business offering, as well as the successful rollout of the secure digital upload technology for the Irish Online Passport.

Much of our laundry expansion has been focused in Ireland, and the results have been very encouraging with a 52% increase in new Revolution machines installed and a corresponding 66.7% increase in revenue. This division contributed 27.7% of Group revenue in the 2018 financial year (2017: 25.0%), and 21.8% of trading operating profit (2017: 14.7%).

At 30 April 2018, 25.8% of the Group's total units in operation were sited in the UK & Republic of Ireland (2017: 27.7%). This equates to a total of 12,055 units (2017: 13,287), of which 6,313 were photobooths (2017: 6,600), 446 were operated Revolution units, an increase of 62.8% year-on-year (2017: 274), and 639 digital printing kiosks, a decrease due to the Photo-Me Retail restructure (2017: 992).

STRATEGIC PROGRESS

IDENTIFICATION

We continued the deployment of our encrypted photo ID upload technology for the Irish Online Passport Application Service, with 300 units now upgraded, in line with our plan.

In the UK, we successfully concluded discussions with Her Majesty's Passport Office regarding the deployment of this photo ID upload technology for its new online passport renewal service. In December 2017, we began the rollout of this technology to our UK photobooths. At the year end, this service had been deployed to 2,200 photobooths and we plan to deploy 4,000 photobooths in total by the end of December 2018.

LAUNDRY

We continue to make excellent progress in expanding our laundry business, with 183 Revolution units deployed in the period (93 in Ireland, 79 in the UK), up 67% year on year.

We are looking for further attractive sites, including petrol forecourts, supermarket car parks, and other high-footfall locations, and are in discussion with the major retailers.

As part of our strategy to expand our presence in the B2B laundry market, in July 2017 we acquired two UK companies (Inox Equip Limited and Tersus Limited), which provide bespoke professional design, procurement and installation of laundry and catering facilities for blue chip companies and institutions (such as care homes and hospitals). These laundry units are either sold or operated by the Photo-Me Group. Our intention is to merge the three UK B2B acquisitions to become the second largest operator in the UK in this business sector.

KIOSKS

In the fourth quarter of the financial year, we reviewed the progress of our Photo-Me Retail operations (previously the UK Photo Division of Asda Stores which was acquired in November 2016), in order to reshape the digital printing operations and boost profitability.

As previously announced, the decision was taken to refocus Photo-Me Retail as an online and unattended digital printing kiosks service. As a result, all the manned retail outlets have been closed. The Board remains confident that the action taken will improve the future profitability of these operations. Photo-Me Retail is now profitable.

ASIA

FINANCIAL PERFORMANCE

The Group operates in China, Japan, Singapore, South Korea and Vietnam, with Japan remaining the largest business in the region.

Reported Revenue
Year to 30 April 2018

£45m
-8.8%

Operating profit
Year to 30 April 2018

£5.4m
-35.7%

Asia contributed to 20% of Group revenue (2017: 23%) and to 11% of operating profit (2017: 17%).

As at the end of April 2018, 21.6% of the Group's estate was sited in Asia (2017: 23%). In total there were 10,105 units (2017: 10,908), of which were 9,628 photobooths. (2017: 9,279). The decrease in units is mainly due to the removal of 1,154 unprofitable and fully depreciated sticker machines in Japan.

Revenue in this segment declined by 8.8% to £45.0 million, reflecting an oversupply of photobooths in the Japanese market. At constant rates of exchange, revenue declined by 3.7%.

STRATEGIC PROGRESS

IDENTIFICATION

Japan has the highest density of photobooth units per person of any country worldwide resulting from photobooth operators, including Photo-Me, expanding their presence following the launch of the Japanese government's My Number ID card programme. Owing to the programme not having been made compulsory, the ID card programme has not gained the momentum photobooth operators initially anticipated.

The Board plans to restructure its operations in Japan and re-align activities to current market conditions. Further details are set out in the Chairman's statement on pages 14 and 15.

LAUNDRY

The Japanese laundry market remains attractive due to lifestyle and other market dynamics, and the size of residential housing, where a lack of space makes it impractical to have a washing machine at home. However, our priority is to restructure the Group's Japanese subsidiary before embarking on further expansion.

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	
		30 April 2018	30 April 2017
Group total revenue at actual rate of exchange		£229.8m	£214.7m
Group profit before tax		£50.2m	£48.0m
Underlying PBT		£46.8m	£46.6m
EBITDA margin	The EBITDA margin is a good indicator of improved profitability	30.9%	32.2%
Gross takings (including VAT)	Gross takings are an important indicator of the trend in our core vending business	+3.9%	+4.8%
Increase in number of photobooths	The increase in number of photobooths is a constant priority and a main driver for growth	+474	+887
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	+1,198	+1,103

INVESTMENT IN INNOVATION

Investment in innovation remains at the core of the business. This underpins our growth strategy to deploy new products and technologies with multiple applications across our vending estate.

We have in-house research and development capabilities in France, China, Vietnam and Japan, and we employ a team of 60 dedicated and highly experienced engineers. Our largest facility is in France, where our team plays a key role in identifying new market opportunities and carries out small scale product manufacture and testing. Once new products are fully launched, larger scale production is outsourced to our manufacturing partners.

Our team specialise in new product and software development focused on three key areas: (i) the refurbishment and upgrade of our estate; (ii) further development and roll out of our proprietary security biometric identification solutions; and (iii), complementary products and services.

We remain focused on extending our range of services, particularly through our photobooths, and identifying new product segments with attractive cash-based characteristics. We look to leverage our strong existing site-owner relationships and our network of field engineers to rapidly rollout products at low incremental cost. We aim to achieve first year gross revenues equivalent to or greater than the cost of investment in any new product offering.

In November 2017, we showcased selected new products at TRUSTECH, a large event dedicated to Trust Based Technology in Cannes (France), and we are pleased to report that two of our products were recognised with accolades. The Group's banking booth technology won the 2017 Sesames Award for Best eTransactions Solution, and our 3D Enrolment Kiosk product was a finalist. The Awards are given in recognition of the best innovations in payments, identification, digital security, and wireless technology.

We are in discussions with financial institutions to provide front-end retail banking services to customers via our photobooth network. The Board believes this technology supports the changing dynamics for the retail banking industry and the need for financial institutions to utilise lower cost platforms to maintain their traditional network, especially in the context of the rationalisation of the banking industry.

In addition, we continue to identify opportunities to extend our biometric and 3D capture technology.

OUR TEAM

At Photo-Me our team is structured to reflect our entrepreneurial and creative heritage and is aligned to our business strategy and objectives. We are committed to nurturing talent within our teams and developing the next generation of leaders.

In May 2018 (after the period end), Eric Mergui was appointed to the Board of Directors and he will continue in his role as Chief Operating Officer.

We appointed Stéphane Gibon as Group Chief Financial Officer with effect from 1 April 2018. Stephane joined Photo-Me in 1997 and latterly was Chief Financial Officer, Europe, and Group IT Manager, responsible for all finance operations across Continental Europe, the UK and Ireland, as well as the global IT support teams. Stéphane has more than 20 years' experience working at Photo-Me and has a deep understanding of the business and our strategic priorities.

Gabriel Pirona stepped down from his role of Group Finance Director to pursue a new opportunity in Continental Europe. On behalf of the Board, I would like to sincerely thank Gabriel for his contribution and dedication throughout his three years at Photo-Me, during a period of significant profit growth and diversification of the business. We wish him all the best in his new endeavours.

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. We remain confident for the future.

Serge Crasnianski
Chief Executive Officer & Deputy Chairman
10 July 2018

FINANCIAL REVIEW

The Group performed well in the financial year.

Reported revenue increased by 7.1% to £229.8 million, driven by continued expansion of our Laundry operation in Europe and a solid performance from our Identification business in the UK & Ireland and in Continental Europe. In constant currency, the increase is 4.1%, mainly due to the decrease of sterling against euro this year.

Profit before tax increased by 4.4% to £50.2 million, including a one-off investment gain of £3.7 million relating to the Group's shareholding in Max Sight Group Holdings.

	April 2018 £m	April 2017 £m
Revenue	229.8	214.7
EBITDA	71.0	69.0
Operating profit	46.1	46.8
Profit before tax	50.2	48.0
Profit after tax	40.3	35.1

The movements in turnover are outlined in the following table:

	£m
Turnover April 2017	214.7
Change in core business revenue:	
Continental Europe	4.9
UK & Ireland	9.9
Asia	(1.9)
Impact of exchange rates	2.2
Turnover April 2018	229.8

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

	£m
Profit before tax at 30 April 2017	48.0
Effect of acquisitions	0.8
Changes in revenue	7.3
Changes in costs	(9.3)
Restructuring costs	(2.6)
Profit on sale of former head office	2.3
Increase in net finance income	2.8
Impact of exchange rates	0.9
Profit before tax at 30 April 2018	50.2

REVIEW OF OPERATING COSTS

Operating costs were £183.9 million, an increase of 9.6% (2017: £167.8 million), due to depreciation and other operating costs mainly, as explained below:

Staff costs were £51.7 million. The ratio of staff costs to revenue is 22.5% (2017: 23.3%).

Photo-Me Retail restructuring costs are separately analysed above and are not included in operating costs below.

The increase in inventory costs was the direct result of the increase of operating activities, which was up 3.6%, combined with the diversification of our activities reflecting expansion of the Laundry business.

The depreciation and amortisation charge at constant rate of exchange increased by £2.3 million compared with the same period last year. Capex has increased significantly over the last five years to £43.6m from £21.3m in 2014 which explains the rise in depreciation.

At constant rate of exchange, the other operating costs increased because we benefited from a higher profit due to favourable currency movements last year.

	April 2018 £m	April 2017 £m	April 2017 (constant rate) £m
Staff costs	**51.7**	50.1	50.6
Inventory costs	**23.6**	13.5	13.8
Other operating costs	**85.9**	82.7	83.1
	161.2	146.3	147.5
Depreciation and amortisation	**25.1**	22.4	22.8
Profit / (loss) on disposal of fixed assets	**(2.4)**	(0.9)	(0.9)
Operating costs	**183.9**	169.8	169.4

REGISTERED OFFICE

In July 2017, the Group completed the sale of its head office buildings in Bookham, Surrey. The freehold was sold to Shanly Homes Limited for a consideration of £2.5 million. The book value of the assets sold was £0.1 million and therefore the profit on the sale amounts to approximately £2.3 million, taking into account disposal costs amounting to £0.1 million.

This disposal was part of the Group's review of the property portfolio and consolidated its head office and UK operations into one location. This strategy has rationalised the Group's property footprint and has enabled it to achieve further efficiencies in its UK operations.

The Group's new registered office is Unit 3B Blenheim Road, Epsom, KT19 9AP

EARNINGS PER SHARE

Diluted earnings per share were 10.60 pence (2017: 9.27 pence), an increase of 14.2%. Basic earnings per share were 10.64 pence (2017: 9.30 pence).

TAXATION

The Group tax charge of £9.9 million corresponds to an effective tax rate of 19.7% (2017: 26.9%).

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 appropriate amount of tax at the right time in accordance with local regulations, and ensures compliance with the Group's tax policy and guidelines.

The Group's effective tax rate was reduced mainly due to a statutory tax rate reduction in the UK and the effect of "Loi Macron" tax initiatives in France.

DIVIDENDS

During the year, the Group paid dividends totalling £26.5 million in respect of the interim and final dividends for the year ended 30 April 2017.

The interim dividend for the year ended 30 April 2018 was 3.71 pence per share (H1 2017: 3.09 pence per share), announced in December 2017 was paid on 11 May 2018 and amounted to £11.6 million.

STATEMENT OF FINANCIAL POSITION

The Group balance sheet can be summarised as follows:

	April 2018 £m	April 2017 £m
Non-current assets (excl. deposits)	130.6	108.7
Current assets (excl. cash and deposits)	48.0	38.3
Non-current liabilities (excl. borrowings)	(8.4)	(10.9)
Current liabilities (excl. borrowings)	(52.0)	(46.0)
Net cash	26.7	39.2
Total equity	144.9	129.3
Minority interests	(1.6)	(1.3)
Total shareholders' funds	143.3	128.0

Following the payment of dividends of £26.5 million, shareholders' funds at 30 April 2018 amounted to £143.3 million, an increase of £15.3 compared with the previous financial year end.

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

	April 2018 £m	April 2017 £m
Goodwill	13.4	11.8
R&D costs capitalised	6.5	5.7
Other intangible assets	7.5	7.8
Operating equipment	80.8	66.6
Plant and machinery	9.5	6.8
Land and buildings	2.3	1.6
Investment property	0.7	0.7
	120.7	101.0
Investments	5.8	2.1
Deferred tax assets	1.9	3.6
Trade and other receivables	2.1	2.0
Total non-current assets (excl. deposits)	130.5	108.7

Goodwill increased due to the Group's acquisition of Inox and Tersus in July 2017. The rise in operating equipment reflects the increase in laundry capex in the period.

With a net book value of £80.8 million, operating equipment constitutes the main component of the Group's total non-current assets. At 30 April 2018, the Group owned 46,710 machines operated worldwide. The change in net book value reflects the Group's capital expenditure of £14.2 million, net of depreciation and exchange rate differences amounting to £1.3 million.

CASH FLOW AND NET CASH POSITION

	April 2018 £m	April 2017 £m
Opening net cash	39.2	62.4
Cash generated from operations	61.0	61.3
Taxation	(8.3)	(12.0)
Net cash generated from operations	52.7	49.3
Net cash used in investing activities	(39.9)	(42.0)
Dividends paid net of shares issued	(25.1)	(31.8)
Net cash utilised	(12.3)	(24.5)
Impact of exchange rates	(0.2)	1.3
Net cash outflow	(12.5)	(23.2)
Closing net cash	26.7	39.2

The stability of the EBITDA, and the advantageous impact of decreased tax payments resulted in an increase in net cash generated from operations to £52.7 million (2017: £49.3 million).

Cash generated remained substantial and enabled the Group to finance its capital expenditure programme and pay out to shareholder dividends of £26.5 million.

Outstanding debt of £33.7 million (2017: £10.7 million) was deducted from the closing net cash balance at 30 April 2018.

Total cash and cash equivalents at 30 April 2018 were £58.7 million (2017: £47.5 million).

At the end of April 2018, the Group's net cash was £26.7 million (2017: £39.2 million) could be split as follows:

	Cash and deposits £m	**Borrowings £m**	**Net cash £m**
Balance at 30 April 2017	49.8	(10.6)	39.2
Cash flow	11.0		(11.6)
Non-cash movements	0.4	(0.5)	(0.9)
Balance at 30 April 2018	60.4	(33.7)	26.7

AUDITOR

KPMG LLP, together with its subsidiary KPMG Audit plc, has been the external auditor of the Group since the year ended 30 April 2009. The Audit Committee has been satisfied with the effectiveness, objectivity and independence of the external auditor. KPMG and the Company have agreed that, for commercial reasons, KPMG will not be re-appointed as the Group's auditor when its current appointment comes to an end at the AGM on 24 October 2018. The Audit Committee has commenced a tender process to select a new external auditor which will conclude in time for the new firm's appointment to be put forward at the AGM.

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 inherent to the Group's 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.

ECONOMIC

Global economic conditions

Description and impact
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.

Mitigation
The Group focuses on maintaining the characteristics and affordability of its needs-driven products.

Volatility of foreign exchange rates

Description and impact
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.

Mitigation
The Group 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 fluctuations arising from translation in consolidation in a cost-effective manner.

REGULATIONS

Centralisation of production of ID photos

Description and impact
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 affected.

Mitigation
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, Switzerland and the UK, discussions in Belgium and Holland).

Furthermore, the Group also ensures that its ID products remain affordable and of high quality.

Brexit

Description and impact
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 to numerous arrangements between the UK and other members of the EU, affecting trade and customs conditions, taxation, movements of resources, etc.

Mitigation
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 break-up to be negotiated between the UK and the European Union.

The Board foresees that in the short term the negative impact of the uncertainty overshadowing the general UK economy could also spill over into 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.

REGULATIONS CONTINUED

Business rates

Description and impact
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. The Company has expensed the cost of the tax charge as reasonably estimated.

Mitigation
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 should not be subject to business rates, and therefore it has systematically appealed 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 should be capable of successful mitigation. Discussions are ongoing with the Valuation Office Agency on this matter.

STRATEGIC

Identification of new business opportunities

Description and impact
Failure to identify new business areas may impact the ability of the Group to grow in the long term.

Mitigation
Management teams constantly review demand in existing markets and potential new opportunities. The Group continues to invest in research in new products and technologies

Inability to deliver anticipated benefits from the launch of new products

Description and impact
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.

Mitigation
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 continually monitored.

MARKET

Commercial relationships

Description and impact
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.

Mitigation
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.

OPERATIONAL

Reliance on foreign manufacturers

Description and impact
The Group sources most of its products from outside the UK. Consequently, the Group is subject to risks associated with international trade.

Mitigation
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

Description and impact
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.

Mitigation
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

Description and impact
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.

Mitigation
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.

OPERATIONAL CONTINUED

Product and service quality

Description and impact
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.

Mitigation
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.

TECHNOLOGICAL

Failure to keep up with advances in technology

Description and impact
The Group operates in fields where upgrades to new technologies are mission-critical.

Mitigation
The Group mitigates this risk by continually focusing on R&D.

Cyber risk: third party attack on our secure ID data transfer feeds

Description and impact
The Group operates an increasing number of photobooths capturing ID data and transferring these data directly to governmental databases.

Mitigation
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
10 July 2018

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 Operating 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.

HIGHLIGHTS

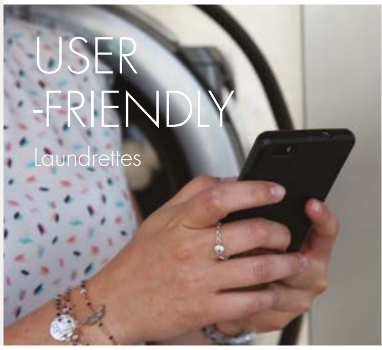
PRODUCTS

ISO CERTIFIED

ISO International Standards ensure that products and services are safe, reliable and of good quality.

ECO -FRIENDLY

The Revolution



EMPLOYEES

EMPLOYEE ENGAGEMENT

- Business networking
- Notification of vacancies and policy updates
- Monthly operational meeting for business leaders

EQUAL OPPORTUNITIES AND DIVERSITY

- Fair and equitable policies and procedures for all
- Support for employees who develop a disability
  – Retraining
  – Redeployment
- Gender diversity

BUYER -FRIENDLY

Equipment

HEALTH & SAFETY

DEDICATED EXPERTS

- Network of trained service operators
- Periodic safety inspections and tests
- Call centres provide customer assurance and within 24-hour service
- New product assessments

CE MARKING

Confirms that our products comply with all health, product safety and environmental protection.

Photobooths:
CE Marking (RoHS2)

Children's rides:
BACTA CE Marking (RoHS2)

ACCREDITED CONTRACTOR

- Safe Contractor accreditation managed by Alcumus and Altius
- Assured award

ENVIRONMENT

GREEN AWARENESS

We actively work to decrease energy use and demand for natural resources.

RECYCLING POLICY

We recover, refurbish and re-sell our electrical equipment.

MONITOR POWER CONSUMPTION

- Automatic shut down of units when not in use
- Remote telemetry reduces the number of service visits and consumables
- Use of low-energy lamps
- Use of energy-efficient flat screen technology

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.

The Revolution units are Eco-friendly:

- The built-in washing liquid pump provides the ideal quantity for each washing cycle and reduces waste.
- The highly concentrated washing liquid, free of phosphates, colouring agents and preservatives, meets the French OCERT standard. Ecological, effective low-temperature and without allergen, this washing liquid naturally perfumes the linen.
- The boiler only heats the water when the dryer is not in operation.
- The energy-saving dryer reduces power consumption.
- LED lights use less energy than standard lighting.
- The launderette only requires 13KW (compared with 30KW for a classical launderette).

They are also user-friendly

- The launderettes comply with CE standards and the new decree N° 2012-412 practical since the 1st July 2012.
- Accessibility for our disabled customers has been a priority in the design of this launderette from the outset. The machines and touchpads are located at the legally required height, thus combining a beautiful design with easy access for our customers.
- As an added service to the customer, a built-in pump releases a specially designed neutral and mild washing liquid with a pleasant fragrance. This also helps ensure the machines are kept clean and tidy.
- Equipped with high capacity professional washing machines (8 and 18kg) the user can wash and dry large or heavy loads such as duvets, blankets and pillows in a record time of 30 minutes per washing cycle.
- Customers can enter their mobile number at the point of payment and an SMS will be sent to alert them 5 minutes before the end of the cycle.
- This free service is convenient for customers who might use this waiting time for shopping.
- Thanks to the touch screen, the payment station is easy to use by following the on-screen instructions.
- Besides the coin and bill acceptor, the credit card payment is available as an option. It is a service which facilitates the use of the launderette and thus increases its use.

They are also buyer-friendly

- Floor space used is less than 5m² – relatively little for a new innovative service.
- Low installation cost.
- The launderette is delivered fully assembled, cabled and can be installed in half a day.
- Thinner power cables (due to low power), thus cheaper.

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 photobooths, 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 photobooths 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

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 2018 with corresponding figures for the previous year:

As at 30 April 2018

	Total	**Male**	**Female**
The Board of Photo-Me	6	5	1
Senior managers in the Group (excluding directors of Photo-Me)	18	17	1
Employees (excluding above)	1,106	922	184
Total	1,130	944	186

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	2
Employees (excluding above)	1,696	1,132	564
Total	1,720	1,153	567

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 photobooths 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) photobooths 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 photobooths. The new Photobooth by Starck uses the latest LED lighting which also eliminates the hazardous waste associated with fluorescent tubes; and
- the replacement of 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 CO2 emissions. We have achieved the target set last year of further reducing vehicle CO2 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 CO2 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 2018 Tonnes of CO_2e	Year ended 30 April 2017 Tonnes of CO_2e
Emissions from		
Scope 1	4,547.14	4,339.07
Scope 1 – travel costs	4,048.94	3,885.42
Scope 1 – gas	498.20	453.65
Scope 2	18,938.35	18,701.05
Scope 2 – operating estate	18,515.86	18,220.11
Scope 2 – electricity, heat, steam or cooling	422.49	480.94
Total emissions	23,485.49	23,040.12
Intensity ratio		
Per number of units of operating equipment	0.50227	0.4943

Assessment parameters

Consolidation approach	The figures on the previous page 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 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 2021.

This assessment included stress tests on the future performance and solvency for changes in the base assumptions over the three years and also for the principal risks facing the business in severe but plausible combination scenarios together with the effectiveness of any mitigating actions. Consideration has also been given to the risk of regional changes such as Brexit; however, the Board believes that having diverse geographical operations means that the Group is less susceptible to the effects of regional changes.

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.

Del Mansi
Company Secretary
10 July 2018

CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND COMPANY SECRETARY

1 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. Previously served as Chairman of Cliveden plc and Principal Hotels plc and as Vice Chairman of John D Wood & Co plc and Pubmaster Group Ltd.

2 Serge Crasnianski
Chief Executive Officer & 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.

3 Eric Mergui
Chief Operating Officer

Appointed to the Board in May 2018. Eric Mergui joined the Group in 1995 and was appointed Chief Operating Officer in 2015. Before this, Mr Mergui headed up Photo-Me's European operations and oversaw the development of Photo-Me's business in China.

4 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 (both 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.

5 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.

6 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.

7 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), Canoel International Energy Limited (Canada), Matica plc, Secure Fortress plc, Bulgarian Land Development plc, Norman 95 plc, Pacific Media plc (Executive Chairman) and Bella Media plc (Chairman). Early career in merchant banking and financial services, including as Executive Director of Bankers Trust International Ltd, Group Chief Executive of Aitken Hume International plc, and Executive Chairman of Johnson & Higgins Ltd.

8 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 2018.

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 136 to 137.

RESULTS AND DIVIDENDS

The results for the year are set out in the Group Statement of Comprehensive Income on page 74.

The directors recommend a final dividend of 4.73p per ordinary share which, if approved at the Annual General Meeting (AGM) on 24 October 2018, will be paid on 9 November 2018 to shareholders listed on the register at the close of business on 19 October 2018. The ex-dividend date will be 18 October 2018. This, together with the interim dividend of 3.71p paid on 11 May 2018, makes a total dividend for the year of 8.44p 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 in order 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 of the financial statements.

EMPLOYEES

Information on the Company's employment practices including: its policy regarding applications for employment by persons with disabilities; 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 page 37, 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 2018, can be found in the Corporate Responsibility Statement on pages 34 to 40.

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); Eric Mergui (Chief Operating Officer); 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 44. Apart from Eric Mergui, who was appointed director on 2 May 2018, 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 directors retiring by rotation and being put forward for re-election at the AGM this year are Mr Crasnianski, Ms Coutaz-Replan, Mr Denis and Mr Apeloig. Mr John Lewis is being put forward for re-election as required by the Corporate Governance Code as he has been a director for more than nine years. Mr Mergui is being put forward for re-election as because the Articles of Association of the Company require that. Any director appointed by the directors as an addition to the board must retire at the next annual general meeting and then be eligible for re-appointment.

Details of the directors' contracts, emoluments and interests in shares and share options are given in the Remuneration Report on pages 52 to 64.

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.

SUBSTANTIAL SHAREHOLDERS

As of 25 June 2018, the Company had 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	22.41	Direct*/ indirect
Schroders plc	47,238,747	12.51	Indirect
Dan David Foundation	45,293,404	12.00	Direct
FIL Investment International	37,427,986	9.91	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 had 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 of 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 2017 AGM, the Company is authorised to purchase its own shares in the market. The Company will seek approval at the 2018 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 2018.

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 48 to 51.
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 2018.

GOING CONCERN

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

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.

ANNUAL GENERAL MEETING

The Company's AGM this year will be held at 2:00 p.m. on 24 October 2018 at the offices of Hudson Sandler LLP, 25 Charterhouse Square, London, EC1M 6AE.

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
10 July 2018

CORPORATE GOVERNANCE

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, with the exception of the audit committee's composition (on which see more below), the Company has, throughout the year ended 30 April 2018, complied with those provisions of the April 2016 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/directors/corporate-governance-and-stewardship/uk-corporate-governance-code.

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

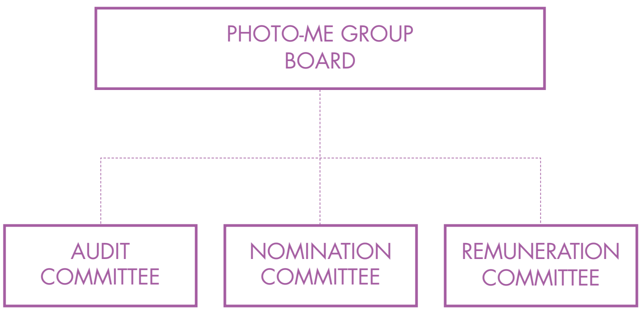
THE GROUP'S BUSINESS MODEL AND STRATEGY

The Group's business model and strategy are summarised on pages 3 to 13, 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. ATE Technology Equipment B.V., of which Mr Apeloig is Managing Partner, is controlled by the Dan David Foundation.

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).

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.

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 whom 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.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	8	4	2	1
J Lewis	8(8)	4(4)	2(2)	1(1)
S Crasnianski	8(8)	n/a	n/a	n/a
Y Apeloig	8(8)	4(4)	n/a	n/a
F Coutaz-Replan	8(8)	4(4)	n/a	n/a
J-M Denis	8(8)	4(4)	2(2)	1(1)
E Olympitis	8(8)	4(4)	2(2)	1(1)
E Mergui	n/a	n/a	n/a	n/a

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 eight meetings during the year under review. The attendance of directors at those meetings and meetings of Board Committees is set out above.

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). 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), John Lewis (Chairman of the Board), Françoise Coutaz-Replan (the Group's former Finance Director) and Yitzhak Apeloig, who is a qualified accountant, served on the Committee. Except as stated below, 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. Although Ms Coutaz-Replan is not considered to be independent, the Committee believe that her extensive knowledge of the Group's accounting systems and her long involvement with the Company in various capacities before becoming a non-executive director (latterly as finance director) give the Committee a wide and all-encompassing perspective which is very useful to it in fulfilling its responsibilities. To this extent the Committee's composition did not comply with the Code which requires an Audit Committee's members to be independent non-executive directors.

Meetings are normally held at least twice a year. Four 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 generally 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, together with its subsidiary KPMG Audit plc, has been the external auditor of the Group since the year ended 30 April 2009. The Audit Committee has been satisfied with the effectiveness, objectivity and independence of the external auditor. KPMG and the Company have agreed that, for commercial reasons, KPMG will not be re-appointed as the Group's auditor when its current appointment comes to an end at the AGM on 24 October 2018. The Audit Committee has commenced a tender process to select a new external auditor which will conclude in time for the new firm's appointment to be put forward at the AGM. The Board continues to be committed to putting the external audit out to tender at least once every ten years.

Key matters considered

During the last financial year, the Committee 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 2018. In July 2018, 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 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 carrying value of the GBP denominated goodwill in connection with the Japanese subsidiary and also of investment by the company in connection with this subsidiary and the potential impairment of those assets.

How this was addressed: the determination of whether or not goodwill and the investment by the Company has to be impaired requires a review of the value in use of those assets. 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 2018 and the Committee considered the conclusions and sensitivity calculations that had been undertaken as part of the review.

- The carrying value of goodwill on laundry companies and Asda licence intagible

How this was addressed: The determination of whether or not goodwill on laundry comapnies and the Asda licence intangible has to be impaired requires a review of the value in use of those assets. The main judgements in relation to the review were considered to be the achievability of the budgets and the discount rate being applied to projected future cash flows. The calculation of these values in use was undertaken in April 2018 and the Committee considered the conclusions and sensitivity calculations that had been undertaken as part of these reviews.

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. Two meetings were held in the year ended 30 April 2018.

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 52 to 64 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 2018, and one formal meeting.

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 continually seeks to improve systems of internal controls.

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 processes in place for identifying, evaluating and managing the significant risks which are applicable to the business. The Board continually seeks to improve 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.

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 2018, 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) (Amendment) Regulations 2013.

The report is divided into three sections:

- This Annual Statement, which summarises remuneration outcomes in 2017/18 and how the Remuneration Policy will be operated in 2018/19;
- The Remuneration Policy Report, which details the Company's policy on the remuneration of executive and non-executive directors which was last approved by shareholders at the 2017 AGM; and
- The Annual Report on Remuneration, which discloses details of the Committee, how the remuneration policy was implemented in the year ended 30 April 2018, and how the policy will operate for the year ending 30 April 2019.

As no changes are being proposed in respect of the Remuneration Policy Report – given that it was approved by shareholders last year – only the Annual Statement and Annual Report on Remuneration will be subject to a vote (advisory) at the forthcoming 2018 AGM.

REMUNERATION OUTCOMES IN 2017/18

For the year under review, the Committee considers the remuneration of the CEO to reflect both the performance of the Group and his individual performance.

While the Committee awarded the CEO a 3% inflationary base salary increase from 1 May 2017, this was waived by the individual. In respect of annual bonus, despite the CEO being eligible for consideration for an annual bonus for the year ended 30 April 2018, he asked the Committee not to do so. The Committee accepted this request in light of shareholder experience around the year end. The CEO does not hold any unvested share option awards.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2018/19

The Committee proposes to operate the Remuneration Policy for the CEO for the year ending 30 April 2019 as follows:

- Following a review of the CEO's base salary and noting that he waived the 2017 increase, the CEO's salary will be increased by an inflationary amount from 1 May 2018;
- Benefit and pension provision will be in line with the approved Remuneration Policy;
- Annual bonus will continue to be capped at 150% of salary with targets based on year-on-year pre-tax profit growth for a majority of the bonus, after considering both the quality and sustainability of the profit delivered. A minority of the bonus will be based on a number of key personal/strategic targets which will be disclosed retrospectively;
- The Committee will consider at half-year whether to grant share option awards to the CEO or COO for the current year.

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 2017 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
10 July 2018

REMUNERATION POLICY REPORT

The policy set out below was approved by shareholders at the 2017 AGM and it is currently intended that it will apply until the 2020 AGM.

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:

SALARY

Purpose and link to strategy	Operation	Maximum	Performance measures
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

Purpose and link to strategy	Operation	Maximum	Performance measures
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

SUMMARY REMUNERATION POLICY TABLE CONTINUED

ANNUAL BONUS

Purpose and link to strategy	Operation	Maximum	Performance measures
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

Purpose and link to strategy	Operation	Maximum	Performance measures
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")

Purpose and link to strategy	Operation	Maximum	Performance measures
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 A two-year post holding period applies to any awards granted to executive directors after the 2016 AGM

SHARE OWNERSHIP GUIDELINES

Purpose and link to strategy	Operation	Maximum	Performance measures
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

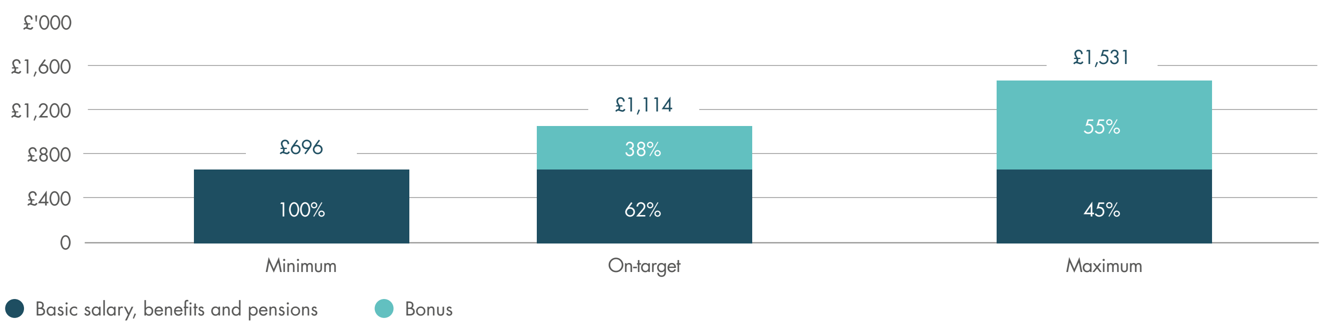
NON- EXECUTIVE DIRECTORS

Purpose and link to strategy	Operation	Maximum	Performance measures
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

REMUNERATION SCENARIOS FOR THE CEO

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.

Value of remuneration package at different levels of performance



The chart above is based on the following:

- Salary level effective on 1 May 2018.
- An approximate value of benefits for the financial year to 30 April 2019.
- An annualised pension contribution and/or salary supplement (as a % of salary) for the year to 30 April 2019.
- A maximum bonus of 150% of salary (with target assumed to be 50% of the maximum).
- No value has been presented for share option awards in respect of the 2018/19 financial year. The Committee will consider at the half year whether to grant share options to the CEO or COO for the current 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 2017 AGM, which showed over 99.95% in favour of the Directors' Remuneration Report resolution and 99.86% in favour of the Directors' Remuneration Policy Report resolution.

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, 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 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 CEO's service contract are as follows:

Executive director	Date of contract	Notice period
Serge Crasnianski[1]	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
John Lewis[2]	26/07/2010	2017	2018
Yitzhak Apeloig	08/03/2012	2015	2018
Françoise Coutaz-Replan[3]	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.

Implementation of the Remuneration Policy for year ending 30 April 2019

BASE SALARY

The base salary for the CEO from 1 May 2018 is as follows:

Executive director	**1 May 2018 £**	1 May 2017 £	% 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 capped at 150% of salary. However, the Committee has introduced a number of key personal/strategic targets for a minority of the bonus potential. For 2018/19, 80% of the bonus potential will be based on incentivising year-on-year profit growth. As per 2017/18, 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 for the year ending 30 April 2019 are as follows:

	2019/20 Annual Bonus (% of salary)
Group pre-tax profit is less than the prior year*	0%*
Group pre-tax profit is between 100% and 105% of the prior year	Committee discretion to determine a bonus depending on year-on-year profit growth).
Group pre-tax profit is 5% higher, but less than 10% higher than that of the prior year	100%
Group pre-tax profit is 10% or above that of the prior year	150%

*Any bonus for this level of performance would be entirely at the Committee's discretion. 20% of the bonus potential will be based on personal/strategic targets which will be disclosed retrospectively next year.

LONG-TERM INCENTIVES

The Committee shall consider at half-year whether any options should be granted to the CEO or COO under the 2014 Executive Share Option Scheme this year.

NEW EXECUTIVE DIRECTOR

Eric Mergui was appointed to the Board on 2 May 2018. Full details of his remuneration package, which is consistent with the shareholder approved Remuneration Policy, will be disclosed in next year's Directors' Remuneration Report.

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	30 April 2018 £	30 April 2017 £
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

SINGLE TOTAL FIGURE OF REMUNERATION*

The detailed emoluments received by the executive and non-executive directors for the year ended 30 April 2018 are shown below. No payments were made for loss of office, and no payments were made to past directors.

	Year	Salary/Fees £	Benefits[1] £	Bonus[2] £	Long-Term Incentives[3] £	Pension[4] £	Total £
EXECUTIVE DIRECTOR							
Serge Crasnianski[5]	2018	540,887	59,934	0	-	81,133	681,954
	2017	540,887	54,184	811,330	-	81,133	1,487,534
NON–EXECUTIVE DIRECTORS							
John Lewis[7]	2018	132,000	—	—	—	—	132,000
	2017	120,000	—	—	—	—	120,000
Yitzhak Apeloig	2018	44,000	—	—	—	—	44,000
	2017	40,000	—	—	—	—	40,000
Françoise Coutaz-Replan[6]	2018	44,000	—	—	79,619	—	123,619
	2017	40,000	—	—	39,702	—	79,702
Jean-Marcel Denis	2018	49,500	—	—	—	—	49,500
	2017	45,000	—	—	—	—	45,000
Emmanuel Olympitis	2018	55,000	—	—	—	—	55,000
	2017	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 2018 annual bonus is shown on page 60.

3 The value for Long-term Incentives shown above for- Françoise Coutaz-Replan in respect of the year ended 30 April 2018 relates to ESOS awards granted in 2015 (212,600 shares) with an exercise price of 133.33p and for which the performance period ended on 30 April 2018. The value shown above is the intrinsic value based on the expected vesting level, as calculated using the three-month average share price to 30 April 2018 (170.78p) as required by the relevant regulations.

4 The pension payment to Serge Crasnianski in the year ended 30 April 2018 represented 15% of base salary.

5 The emoluments of Serge Crasnianski shown above include fees (and for 2017 only, a bonus) totalling £394,144 (2017: £847,410) 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 £49,500 (2017: £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 2018, 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 2018 annual bonus are set out below:

	Profit before tax	**Bonus payout (% of salary)**
Threshold	£48.4m	75%
Target	£50.4m	100%
Maximum	£52.8m	150%
Actual	£50.2m	0%*

* As the CEO said he did not wish to be considered for a bonus otherwise he would have been entitled to a bonus at the Committee's discretion of up to 50% of salary.

EXECUTIVE SHARE OPTION SCHEME (ESOS)

The ESOS awards granted to Françoise Coutaz-Replan on 9 July 2015 completed their performance period on 30 April 2018 and accordingly have been included in the 2018 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 2018	**Vesting (% of participant's salary at date of grant)**
Performance condition	Below 6.5p	None
	6.5p	25%
	7.7p	100%
	8.5p	150%
	Between 6.5p and 8.5p	Between 25% and 150% on a straight-line basis
Actual	10.6p	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 2018.

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 2018 and the date of signing the financial statements.

EXECUTIVE DIRECTOR	Beneficially owned at						
	30 April 2018	**1 May 2017**	**Vested ESOS awards[1]**	**Unvested ESOS awards[2]**	**Shareholding requirement (% of salary)**	**Current shareholding (% of salary)[3]**	**Guideline**
Serge Crasnianski	84,610,701[4]	84,610,701[4]	738,000	–	200%	24,269%	Yes
NON-EXECUTIVE DIRECTORS							
John Lewis	–	–	–	–	–	–	–
Yitzhak Apeloig				–	–	–	–
Françoise Coutaz-Replan[5]	200,000	200,000	877,000	212,600	–	–	–
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 2018 being 159.8p. The shareholding guideline is calculated using only beneficially owned shares.
4 Of the shares beneficially owned by Serge Crasnianski, 79,719,900 shares (2017: 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.

DIRECTORS' INTERESTS IN SHARE OPTIONS*

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 2018 and the date of signing the financial statements.

SERGE CRASNIANSKI	Number of options							
Date of grant	**As at 1 May 2017**	**Granted during year**	**Exercised during year**	**Lapsed during year**	**As at 30 April 2018**	**Exercise price**	**Date from which exercisable**	**Expiry date**
9 July 2013[1]	738,000	–	–	–	738,000	90.63p	9 July 2016	8 July 2020
FRANÇOISE COUTAZ-REPLAN								
20 Jan 2010	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[1]	200,000	–	–		200,000	90.63p	9 July 2016	8 July 2020
10 July 2014[2]	195,000	–	–		195,000	145.33p	10 July 2017	9 July 2021
9 July 2015[3]	212,600	–	–		212,600	133.33p	9 July 2018	8 July 2022

1 The 9 July 2015 ESOS awards are subject to the performance conditions and vesting schedule as set out on page 60.
* 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.

Executive director	2018	2017	% Change
Employee remuneration costs (£'000)[1]	42,372	40,658	4.2%
Dividends (£'000)[2]	26,478	32,6293[3]	-18.9%

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 2018.
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.

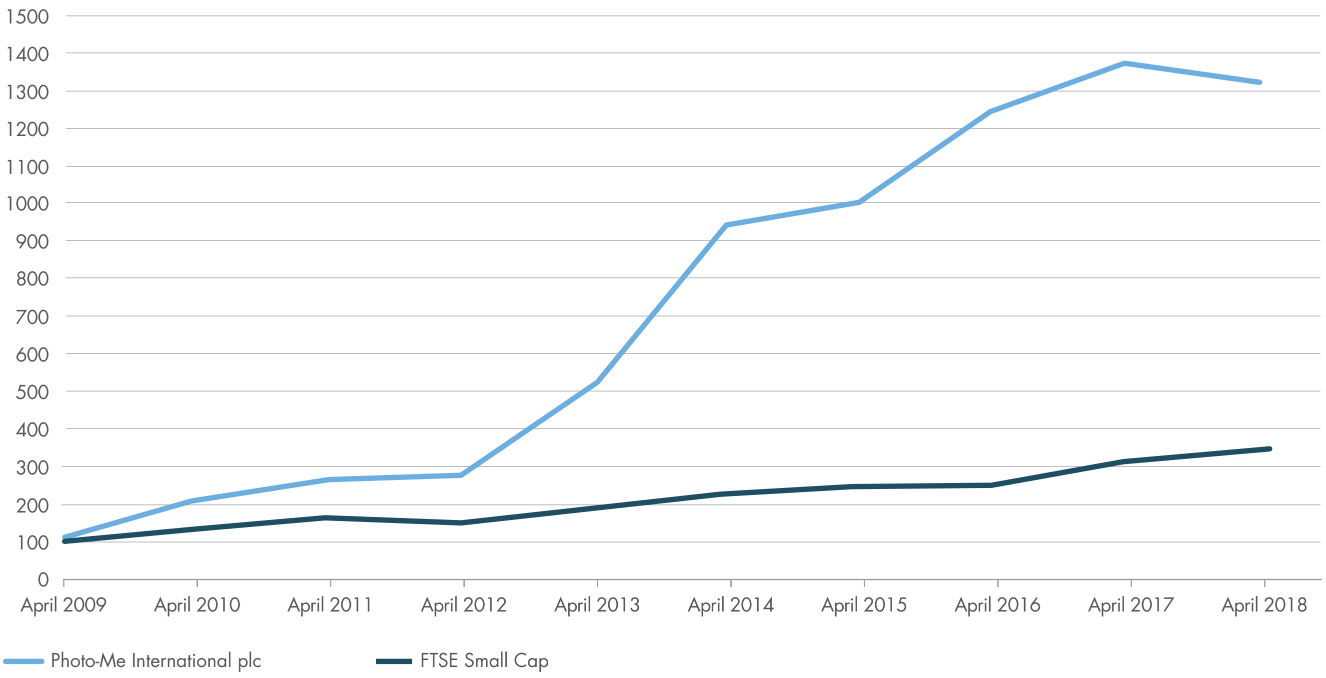
Element of remuneration	CEO % change	Employees % change[1]
Salary	0%	0.1%
Benefits	10.6%	- 3.9%
Annual bonus	-100%	1%

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 nine 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)



The table below shows the total remuneration for the CEO over the same nine-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)[1]
2018	Serge Crasnianski	681,954	0%	–
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[2]	739,548	100%	–
2010	Thierry Barel[3]	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 2018 (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.

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). The Board considers Mr Olympitis and Mr Marcel to be independent and Mr Lewis to have been independent on appointment as Chairman.

Biographies of the members of the Committee are set out on page 44. 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	2(2)
John Lewis	Non-executive Chairman	3 July 2008	2(2)
Jean-Marcel Denis	Non-executive Director	1 March 2012	2(2)

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.

ADVISERS

The Committee is advised by FIT Remuneration Consultants LLP. 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 2018, fees paid to FIT in respect of advice given to the Committee totalled £14,905 (exclusive of VAT). The Committee is satisfied that the advice provided by FIT is objective and independent and fees were charged on their normal 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 the 2017 AGM, the resolutions on the Directors' Remuneration Report and Directors' Remuneration Policy received the following votes from shareholders:

Resolution	**Votes cast in favour**	**%**	**Votes cast against**	**%**	**Total votes cast (excludes withheld votes)**	**%**	**Votes withheld[1]**
Directors' Remuneration Report (excluding the Remuneration policy)	319,403,371	99.95	152,682	0.05	319,556,053	100	1,199,298
Amending the Directors' Remuneration Policy	319,144,977	99.86	445,370	0.14	319,590,347	100	1,165,003

1 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
10 July 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors of the Company, who are named on page 44, are responsible for preparing the Annual Report, and the Group and the Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for the Group and the Company for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 estimates that are reasonable, relevant and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- assess the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine what is necessary to enable the preparation of financial statements that are free from material misstatement – whether due to fraud or error – and 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 confirms that, to the best of his or her knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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 51.

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 80 to 87 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 2017/2018 consolidated financial statements.

By order of the Board

John Lewis
Non-executive Chairman
10 July 2018

KPMG

Independent auditor's report

to the members of Photo-Me International plc only

1. Our opinion is unmodified

We have audited the financial statements of Photo-Me International plc ("the Company") for the year ended 30 April 2018 which comprise the Group Statement of Comprehensive Income, Statements of Financial Position, Group Statement of Cash Flows, Company Statement of Cash Flows, Group Statement of Changes in Equity, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 1 December 2008. The period of total uninterrupted engagement is for the 10 financial years ended 30 April 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£2.3m (2017:£2.4m) 5% (2017: 5%) of normalised group profit before tax	
Coverage	94% (2017:79%) of group profit before tax	
Risks of material misstatement		**vs 2017**
Recurring risks	Recoverability of carrying value of photobooths and vending machines	◄►
	Recoverability of Japan goodwill and Parent investment in Japanese subsidiary	◄►
	New: Carrying value of goodwill on laundry companies and Asda licence intangible	▲

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of carrying value of photobooths and vending machines (£80.8m; 2017: £66.6m) *Refer to page 50 (Audit Committee Report), page 83 (accounting policy) and page 106 (financial disclosures).*	**Forecast based valuation** 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. 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. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: — **Control design:** Evaluating the controls over the process used for identifying potential impairment. — **Our sector experience:** Assessing assumptions made in the discounted cash flow models such as EBITDA and number of machines based on our knowledge of the group and the country specific markets. — **Historical comparisons:** Challenging the methodology used to determine the discount rate used in the cash flow models by comparing against past performance. — **Benchmarking assumptions:** Assessing whether the forecasts appropriately consider any changes in the market place and local regulations based on our industry knowledge; — **Challenge of business plans :** For those assets where there are 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 competitive environment and product mix in the relevant country; and — **Comparing carrying value:** For those asset classes that are below the Group's impairment testing threshold, where there is a potential impairment in aggregate, we checked the EBITDA (as a proxy for cash flows expected by entity from these assets) against carrying amount. **Our results** — We found the carrying value of photobooths and vending machines to be acceptable (2017 result: acceptable).

2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
Group and Parent: Recoverability of Japan goodwill and Parent investment in Japanese subsidiary (Group: £7.2m million; 2017: £7.2m; Parent: £33.8 million; 2017: £33.8m) *Refer to page 50 (Audit Committee Report), pages 82, 85 (accounting policy) and pages 99, 112 (financial disclosures).*	**Forecast based valuations:** Goodwill in relation to Nippon Auto-Photo Kabushiki Kaisha (Japan) is significant, and this and the carrying amount of the parent company's investment in the Japanese subsidiary are at risk of recoverability due to: -the potential impact of the volatility of the Japanese Yen on the recoverable amount of this GBP denominated goodwill and; -the inherent uncertainty involved in the forecasting of cash flows and use of inputs and discount rates.	Our procedures included: — **Control design:** Evaluating the group's budgeting procedures upon which the cash flow forecasts are based. . — **Historical comparisons :** 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. — **Benchmarking assumptions** : Assessing whether the forecasts appropriately considered any changes in the market place and competitive environment based on our industry knowledge; — **Sensitivity analysis :** Performing break-even analysis on the discount rates and exchange rates used. — **Assessing transparency:** 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 assessment of goodwill. **Our results** — We found the carrying amount of Japan goodwill and the parent company's investment in the Japanese subsidiary to be acceptable (2017 result: acceptable).

	The risk	Our response
Carrying value of goodwill on laundry companies and Asda licence intangible *Refer to page 50 (Audit Committee Report), pages 82, 83 (accounting policy) and pages 99, 102, 104 (financial disclosures).*	**Forecast based valuations:** The Group holds the following significant intangible assets: goodwill on laundry companies (£2.8m, 2017: £1.3m) and a license (£2.5m, 2017: £2.8m). Goodwill on laundry companies is allocated across 2 Cash Generating Units ("CGU") (2017: 1). 1 laundry CGU has been acquired during the year, and goodwill on laundry companies is now material. The Group is growing its laundry offerings but these are less established within the Group. The goodwill is at risk of recoverability due to the inherent uncertainty involved in the forecasting of cash flows and use of inputs and discount rates. In October 2016 the group acquired a 10 year licence which grants the right to site its machines in Asda stores. During the year the group has undertaken restructuring in the Photo-Me Retail division in order to improve the future profitability of these operations. There is a risk of recoverability of this asset due to the inherent uncertainty involved in the cash flows of the recently restructured business.	Our procedures included: — **Control design:** Evaluating the group's budgeting procedures upon which the cash flow forecasts are based. — **Historical comparisons :** Consideration of the historical accuracy of key assumptions used in the models by comparing forecasted revenue and cost growth to the actual amounts achieved in prior periods. — **Benchmarking assumptions** : Assessing whether the forecasts appropriately considered any changes in the market place and competitive environment based on our industry knowledge; — **Valuations expertise:** With the assistance of our internal valuation specialists we challenged the inputs and methodology used to determine the discount rate used in the licence forecasts; — **Sensitivity analysis :** Performing break-even analysis on the discount rate and exchange rate used. — **Assessing transparency:** 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 assessment of goodwill. **Our results** — We found the carrying value of goodwill on laundry companies and Asda licence intangible to be acceptable (2017 result: n/a).

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

Materiality for the group financial statements as a whole was set at £2.3m (2017: £2.4m), determined with reference to a benchmark of group profit before tax, normalised to exclude this year's gains on the sale of the Bookham property (£2.3m, 2017: £nil) and listing of Max Sight (£3.7m, 2017: £nil), and the costs incurred on the restructuring of Photo-Me Retail (£2.6m, 2017: £nil), of which it represents 5.0% (2017: 5.0%).

Materiality for the parent company financial statements as a whole was set at £0.75m (2017: £0.9m), determined with reference to a benchmark of company total assets, of which it represents 0.7% (2017: 0.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £115,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

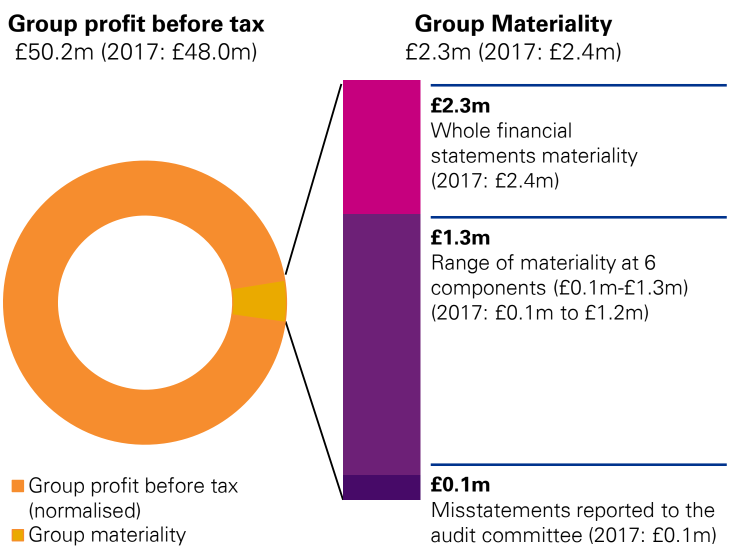
Of the group's 38 (2017: 36) reporting components, we subjected 6 (2017: 7) to full scope audits for group purposes and 4 (2017: 1) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

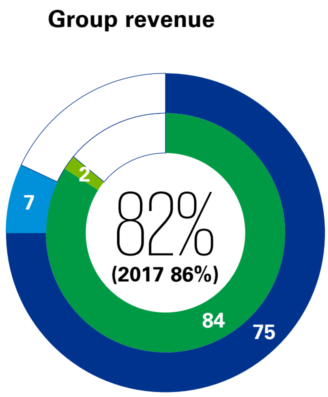
The components within the scope of our work accounted for the percentages illustrated opposite.

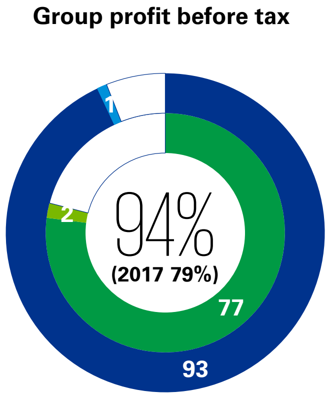
The remaining 18% of total group revenue, 6% of group profit before tax and 17% of total group assets is represented by 28 (2017: 28) reporting components, none of which individually represented more than 5% of any of total group revenue, group profit before tax or total group assets. For these residual 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.

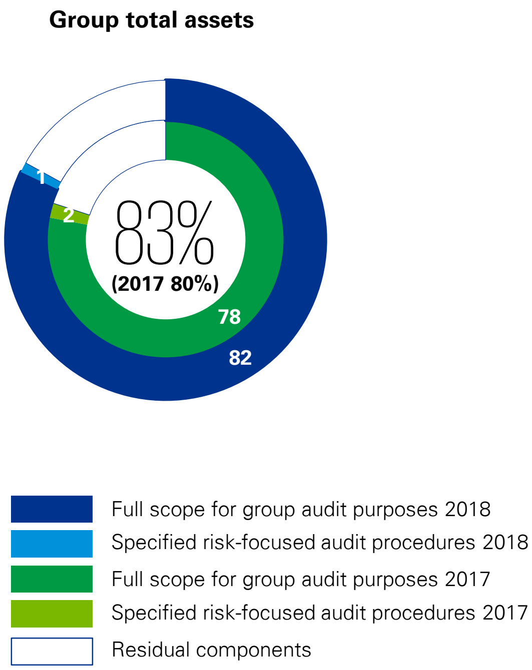
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.1m to £1.3m (2017: £0.1m to £1.2m), having regard to the mix of size and risk profile of the Group across the components. The work on 5 of the 38 components (2017: 5 of the 36 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group Engagement Partner visited 1 (2017: 1) component location in France, to assess the audit risk and strategy. 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. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the Report of Directors on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 47 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the Viability Statement (page 41) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 65, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Steve Masters (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

10th July 2018

FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2018

	Notes	**2018 £'000**	2017 £'000
Revenue	3	229,814	214,653
Cost of sales		(168,070)	(156,427)
Gross profit		61,744	58,226
Other operating income	4	1,686	2,203
Administrative expenses		(17,518)	(13,818)
Share of post-tax profits from associates	14	194	196
Operating profit		46,106	46,807
Analysed as:			
Operating profit before Specific items		46,416	46,807
Profit on sale of land & buildings	4	2,320	–
Restructuring costs	4	(2,630)	–
Operating profit after Specific items		46,106	46,807
Other gains	4	3,708	–
Finance revenue	6	658	1,488
Finance cost	6	(297)	(256)
Profit before tax		50,175	48,039
Total tax charge	7	(9,889)	(12,901)
Profit for the year		40,286	35,138
Other comprehensive income			
Items that are or may subsequently be classified to profit and loss:			
Exchange differences arising on translation of foreign operations		16	1,862
Taxation on exchange differences		(12)	1,058
Total items that are or may subsequently be classified to profit and loss		4	2,920
Items that will not be classified to profit and loss:			
Remeasurement gains/(losses) in defined benefit obligations and other post-employment benefit obligations		150	(48)
Deferred tax on remeasurement (losses)/gains		(23)	21
Total items that will not be classified to profit and loss		127	(27)
Other comprehensive income for the year net of tax		131	2,893
Total comprehensive income for the year		40,417	38,031
Profit for the year attributable to:			
Owners of the Parent		40,134	34,991
Non-controlling interests		152	147
		40,286	35,138
Total comprehensive income attributable to:			
Owners of the Parent		40,205	37,799
Non-controlling interests		212	232
		40,417	38,031
Earnings per share			
Basic earnings per share	10	10.64p	9.30p
Diluted earnings per share	10	10.60p	9.27p

All results derive from continuing operations.

The notes on pages 80 to 139 are an integral part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

For the year ended 30 April 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Assets					
Non-current assets					
Goodwill	11	13,435	11,812	–	–
Other intangible assets	11	13,960	13,451	67	230
Property, plant & equipment	12	92,556	74,989	13,691	9,330
Investment property	13	676	662	–	–
Investment in associates	14	1,583	2,095	35	400
Investment in subsidiaries	14	–	–	47,614	47,437
Other financial assets – held to maturity	15	1,710	2,389	974	973
Other financial assets – available for sale	15	4,286	81	4,074	–
Deferred tax assets	24	1,935	3,641	945	1,835
Trade and other receivables	16	2,116	2,025	–	–
		132,257	111,145	67,400	60,205
Current assets					
Inventories	17	22,902	19,418	2,170	1,865
Trade and other receivables	16	20,613	18,542	30,148	35,347
Current tax		4,480	288	35	–
Cash and cash equivalents	18	58,657	47,505	11,500	11,535
		106,652	85,753	43,853	48,747
Assets held for sale		–	96	–	96
Total assets		238,909	196,994	111,253	109,048
Equity					
Share capital	20	1,887	1,882	1,887	1,882
Share premium		10,366	8,999	10,366	8,999
Translation and other reserves		13,193	13,249	2,064	1,887
Retained earnings		117,811	103,831	67,798	72,101
Equity attributable to owners of the Parent		143,257	127,961	82,115	84,869
Non-controlling interests		1,553	1,341	–	–
Total equity		144,810	129,302	82,115	84,869
Liabilities					
Non-current liabilities					
Financial liabilities	21	27,540	8,192	–	–
Post-employment benefit obligations	22	5,524	5,456	–	–
Deferred tax liabilities	24	2,671	3,087	–	–
Trade and other payables	25	224	2,310	–	–
		35,959	19,045	–	–
Current liabilities					
Financial liabilities	21	6,139	2,490	–	–
Provisions	23	196	2,072	–	–
Current tax		8,307	4,209	1,541	1,021
Trade and other payables	25	43,498	39,876	27,597	23,158
		58,140	48,647	29,138	24,179
Total equity and liabilities		238,909	196,994	111,253	109,048

Photo-Me International plc is registered in England and Wales under Company registration number 00735438. These accounts were approved by the Board on 10 July 2018 and signed on its behalf by:

Serge Crasnianski
Chief Executive Officer

John Lewis
Non-executive Chairman

The notes on pages 80 to 139 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF CASH FLOWS

For the year ended 30 April 2018

	Notes	2018 £'000	2017 £'000
Cash flow from operating activities			
Profit before tax		50,175	48,039
Finance cost		297	256
Finance revenue		(658)	(1,488)
Other gains		(3,708)	–
Operating profit		46,106	46,807
Share of post tax profit from associates		(194)	(196)
Amortisation of intangible assets		2,768	2,479
Depreciation of property, plant and equipment		22,301	19,944
Profit on sale of property, plant and equipment		(2,361)	(887)
Exchange differences		(836)	(727)
Other items		(318)	(3,877)
Changes in working capital:			
Inventories		(2,613)	(1,088)
Trade and other receivables		(927)	(1,534)
Trade and other payables		(1,064)	2,377
Provisions		(1,905)	(2,045)
Cash generated from operations		60,957	61,253
Interest paid		(297)	(256)
Taxation paid		(8,318)	(11,969)
Net cash generated from operating activities		52,342	49,028
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		(1,398)	–
Investment in associates		–	(361)
Loans advanced to associates		–	(1,014)
Investment in intangible assets		(3,218)	(6,686)
Proceeds from sale of intangible assets		201	9
Purchase of property, plant and equipment		(40,378)	(36,652)
Proceeds from sale of property, plant and equipment		4,689	2,783
Purchase of available for sale investments		(134)	–
Dividends received from financial instruments held at FVTPL		285	–
Interest received		144	75
Dividends received from associates		304	279
Net cash utilised in investing activities		(39,505)	(41,567)
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		1,372	848
Repayment of capital element of finance leases		(118)	(173)
Repayment of borrowings		(3,695)	(1,630)
Increase in borrowings		26,382	693
Decrease in assets held to maturity		687	(29)
Dividends paid to owners of the Parent	9	(26,478)	(32,629)
Net cash utilised in financing activities		(1,850)	(32,920)
Net increase in cash and cash equivalents		10,987	(25,459)
Cash and cash equivalents at beginning of year		47,505	71,005
Exchange loss on cash and cash equivalents		165	1,959
Cash and cash equivalents at end of year	18	58,657	47,505

The notes on pages 80 to 139 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 30 April 2018

	Notes	**2018 £'000**	2017 £'000
Cash flow from operating activities			
Profit before tax		24,587	49,623
Finance cost		(2)	69
Finance revenue		(4,297)	(373)
Dividends and other items		(16,497)	(40,084)
Operating profit		3,791	9,235
Amortisation of intangible assets		–	866
Depreciation of property, plant and equipment		3,873	3,574
Profit on sale of property, plant and equipment		(2,330)	(96)
Movement in investment provisions and other items		115	68
Changes in working capital:			
Inventories		(305)	(142)
Trade and other receivables		5,199	(30,373)
Trade and other payables		4,439	(7,216)
Provisions		–	(10)
Cash generated from/(used in) operations		14,782	(24,094)
Interest paid		2	(69)
Taxation paid		(1,057)	(1,656)
Net cash generated from/(used in) operating activities		13,727	(25,819)
Cash flows from investing activities			
Investment in subsidiaries		–	(3,069)
Proceeds from disposal of subsidiaries		–	356
Purchase of intangible assets		–	(410)
Proceeds from sale of intangible assets		–	5,037
Purchase of property, plant and equipment		(8,239)	(5,382)
Proceeds from sale of property, plant and equipment		2,498	957
Dividends received from financial instruments held at FVTPL		285	–
Interest received		–	60
Dividends received from associates and subsidiaries		16,801	40,363
Net cash generated from investing activities		11,345	37,912
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders		1,372	848
Repayment of borrowings from subsidiaries		–	(15,615)
Increase in assets held to maturity		(1)	(2)
Dividends paid to owners of the Parent	9	(26,478)	(32,629)
Net cash utilised in financing activities		(25,107)	(47,398)
Net increase in cash and cash equivalents		(35)	(35,305)
Cash and cash equivalents at beginning of year		11,535	46,840
Cash and cash equivalents at end of year	18	11,500	11,535

The notes on pages 80 to 139 are an integral part of these consolidated financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2018

	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 2016	1,877	8,156	1,874	8,633	101,101	121,641	1,109	122,750
Profit for the year	–	–	–	–	34,991	34,991	147	35,138
Other comprehensive (expense)/income								
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
Total other comprehensive (expense)/income	–	–	(93)	2,835	66	2,808	85	2,893
Total comprehensive (expense)/income	–	–	(93)	2,835	35,057	37,799	232	38,031
Transactions with owners of the Parent								
Shares issued	5	843	–	–	–	848	–	848
Share options	–	–	–	–	296	296	–	296
Deferred tax on share options	–	–	–	–	6	6	–	6
Dividends	–	–	–	–	(32,629)	(32,629)	–	(32,629)
Total transactions with owners of the Parent	5	843	–	–	(32,327)	(31,479)	–	(31,479)
At 30 April 2017	1,882	8,999	1,781	11,468	103,831	127,961	1,341	129,302
At 1 May 2017	1,882	8,999	1,781	11,468	103,831	127,961	1,341	129,302
Profit for the year	–	–	–	–	40,134	40,134	152	40,286
Other comprehensive income/(expense)								
Exchange differences	–	–	–	158	–	158	60	218
Tax on exchange	–	–	–	(12)	–	(12)	–	(12)
Translation reserve taken to income statement on disposal of associate	–	–	–	(202)	–	(202)	–	(202)
Remeasurement losses in defined benefit pension scheme and other post-employment benefit obligations	–	–	–	–	150	150	–	150
Deferred tax on remeasurement gains	–	–	–	–	(23)	(23)	–	(23)
Total other comprehensive (expense)/income	–	–	–	(56)	127	71	60	131
Total comprehensive (expense)/income	–	–	–	(56)	40,261	40,205	212	40,417
Transactions with owners of the Parent								
Shares issued	5	1,367	–	–	–	1,372	–	1,372
Share options	–	–	–	–	197	197	–	197
Dividends	–	–	–	–	(26,478)	(26,478)	–	(26,478)
Total transactions with owners of the Parent	5	1,367	–	–	(26,281)	(24,909)	–	(24,909)
At 30 April 2018	1,887	10,366	1,781	11,412	117,811	143,257	1,553	144,810

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 80 to 139 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 May 2016	1,877	8,156	1,660	57,110	68,803
Profit for the year	–	–	–	47,569	47,569
Other comprehensive income					
Total comprehensive income	–	–	–	–	–
Total comprehensive income for year	–	–	–	47,569	47,569
Transactions with owners of the Parent					
Shares issued	5	843	–	–	848
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)
Total transactions with owners of the Parent	5	843	227	(32,578)	(31,503)
At 30 April 2017	1,882	8,999	1,887	72,101	84,869
At 1 May 2017	1,882	8,999	1,887	72,101	84,869
Profit for the year	–	–	–	22,155	22,155
Other comprehensive income					
Total comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	22,155	22,155
Transactions with owners of the Parent					
Shares issued	5	1,367	–	–	1,372
Share options	–	–	–	20	20
Capital contributions relating to share-based payments (net of disposals)	–	–	177	–	177
Dividends	–	–	–	(26,478)	(26,478)
Total transactions with owners of the Parent	5	1,367	177	(26,458)	(24,909)
At 30 April 2018	1,887	10,366	2,064	67,798	82,115

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

The notes on pages 80 to 139 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 April 2018

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 2018 were authorised for issue by the directors on 10 July 2018 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 the PHTM. The registered number of the Company is 735438 and its registered office is at Unit 3B, Blenheim Rd, Epsom, KT19 9AP. The principal activities of the Group are shown on page 45.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee interpretations as endorsed by the European Union ("EU"), and with those parts 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 of the statements presented. New standards adopted for this financial year are shown in note 2 on page 88.

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 following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1) Development costs – notes 1.4 and 11.
   Management determine when the commercial viability of a project is capitalised as an intangible asset based on discounted expected cash flows and the costs can be reliably measured. Judgement is required in determining the practice for capitalising development costs and is required in assessing whether the development costs meet the criteria for capitalisation. This judgement has been applied consistently year to year.

2) Taxation - note 1.17, 7 and 24
   During the year, the Group implemented a new transfer pricing policy with the help of specialist external advisers. In conjunction with the external advisers, management has determined that the transfer pricing policy will be deductible as implemented in the current year.

   The Group recognises deferred tax assets and liabilities based upon future taxable income and the expected recoverability of the balance. The estimate will include assumptions regarding future income streams of the Group and the future movement in corporation tax rates in the respective jurisdictions. The estimation of provisions in respect of current taxation depends on the estimates and judgements in respect of taxation enquiries and the uncertainty surrounding resolution.

The following are the estimates and assumptions that the directors have made that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Group and Company

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) 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.

1.2 Basis of consolidation

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

Subsidiaries

Subsidiaries are 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 carrying value of the acquiror'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.

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 2018 and 2017.

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.

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:

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 separately 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.

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.

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 fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually 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.

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 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 during the period including that held in machines at the balance sheet 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 operating 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 and frequency. 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 providing a clear understanding of the Group's performance, as Specific items are by definition material, unusual and rare. Management consider their exclusion necessary to provide a more clear understanding of the Group's underlying performance.

For those years where Specific items are shown in the Group statement of Comprehensive Income an alternative earnings 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.

Underlying results are reported results adjusted to exclude the effect of Specific items.

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.

Disclosure Initiative (Amendments to IAS 7)

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12)

Not adopted by the Group

The following are the significant new standards that have been issued by the International Accounting Standards Board but adoption is not yet mandatory.

IFRS 9 Financial instruments

This standard is effective for accounting periods commencing on or after 1 January 2018.

Classification

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their intrinsic cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL and eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At 30 April 2018, the Group had equity investments of £4,286,000 classified as available for sale that are held to maximise cash flows through sale. Under IFRS 9, the Group intends on designating these investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in the income statement.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

With 88.0% (2017: 90.9%) of the Group's revenue consisting of prepaid vending activities with no inherent credit risk, the Group does not believe that application of the IFRS 9 impairment model will result in additional impairment losses at 30 April 2018.

The ECL was calculated on the Group's remaining revenue streams including equipment sales and its B2B laundry business. Based on the 5 year average historic credit losses as a proportion of trade and other debtors compared to the total provision for bad doubtful debts at 1 May 2018, the calculation showed that no ECL was required.

The calculation was prepared on a segmented basis with business units with a similar credit risk profile being segmented together.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 May 2018.

Disclosures

IFRS 9 requires extensive new disclosures, in particular regarding ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 May 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

IFRS 15 Revenue from contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Vending revenue

It is the Group's assessment that revenue arising from vending operations will be recognised at the same point under IFRS 15 as IAS 18.

Sales of equipment, spare parts, consumables & services

Sales of equipment, spare parts, consumables & services comprised 11.9% of Group revenue in the year ended 30 April 2018 (2017: 9.0%). Revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

The Group's assessment indicates that revenue and associated costs will be recognised at the same point as under IAS18 with no impact on revenue, receivables or retained earnings arising from the application of IFRS 15.

Construction contracts

Revenue derived under construction, installation and related contracts comprised 4.1% of total revenue (2017: 1.7%). Contract revenue currently includes the initial amount agreed in the contract plus any agreed variations, and to the extent probable is currently recognised on a percentage of completion basis when the outcome can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under IFRS 15, percentage of completion recognition of revenue is no longer permitted, with revenue only recognisable when a legally enforceable right to receive funds has been crystallised.

Though the recognition of revenue will be different under IFRS 15, due to the quantum of revenue derived under such contracts relative to the Group's other activities; the duration and size of those contracts, the Group does not expect the application of IFRS 15 to have a significant impact on its consolidated financial statements.

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 May 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

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 replacement 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.

3 SEGMENTAL ANALYSIS

IFRS 8 requires operating segments to be identified, based on information presented to the Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and monitor performance. The Group reports its segments on a geographical basis, Asia, Continental Europe and United Kingdom & Ireland. 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, being the CODM, believe that the economic characteristics of the European operations, together with the fact that they are similar in terms of operations, use common systems and the nature of the regulatory environment allow them to be aggregated into one reporting segment.

The CODM monitors performance at the underlying operating profit level before Specific items, interest and taxation.

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

The segment results are as follows:

	Asia £'000	Continental Europe £'000	United Kingdom & Ireland £'000	Corporate costs £'000	Total £'000
2018					
Total revenue	44,979	131,064	65,432	–	241,475
Inter segment sales	(6)	(9,930)	(1,725)	–	(11,661)
Revenue from external customers	44,973	121,134	63,707	–	229,814
EBITDA	10,289	45,967	16,194	(1,469)	70,981
Depreciation and amortisation	(4,879)	(14,027)	(5,794)	(369)	(25,069)
Underlying operating profit	5,410	31,940	13,030	(4,158)	46,222
Specific items	–	–	(2,630)	2,320	(310)
Operating profit excluding associates	5,410	31,940	10,400	(1,838)	45,912
Share of post-tax profits from associates					194
Operating profit					46,106
Other gains					3,708
Finance revenue					658
Finance costs					(297)
Profit before tax					50,175
Tax					(9,889)
Profit for year					40,286
Capital expenditure	5,248	26,429	11,410	590	43,677

	Asia £'000	Continental Europe £'000	United Kingdom & Ireland £'000	Corporate costs £'000	Total £'000
2017					
Total revenue	49,472	124,739	53,870	–	228,081
Inter segment sales	(128)	(13,069)	(231)	–	(13,428)
Revenue from external customers	49,344	111,670	53,639	–	214,653
EBITDA	12,340	46,978	12,349	(2,633)	69,034
Depreciation and amortisation	(3,940)	(13,038)	(5,041)	(404)	(22,423)
Underlying operating profit	**8,400**	**33,940**	**7,308**	**(3,037)**	**46,611**
Operating profit excluding associates	8,400	33,940	7,308	(3,037)	46,611
Share of post-tax profits from associates					196
Operating profit					46,807
Finance revenue					1,488
Finance costs					(256)
Profit before tax					48,039
Tax					(12,901)
Profit for year					35,138
Capital expenditure	7,227	20,125	15,301	820	43,473

There were no Specific items in the year ended 30 April 2017 above operating profit.

Inter segment revenue mainly relates to sales of equipment.

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

	Group	
	2018 £'000	2017 £'000
Total revenue from external customers		
Asia and rest of the world	44,975	49,344
Europe	127,050	115,738
UK	57,789	49,571
	229,814	214,653

	2018 £'000	2017 £'000
Total revenue from external customers		
Sales of equipment	16,967	9,971
Sales of spare parts, consumables & services	10,363	9,249
Other sales	285	331
	27,615	19,551
Vending revenue	202,199	195,102
Total revenue	229,814	214,653

4 PROFIT FOR THE YEAR

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

	2018 £'000	2017 £'000
Amortisation, depreciation and impairment		
Amortisation of previously capitalised research and development expenditure	1,824	1,692
Amortisation of intangible assets other than research and development	944	787
	2,768	2,479
Depreciation of property, plant and equipment		
– owned	22,150	19,763
– leased	151	181
	22,301	19,944
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	700	864
– reflected in income statement in administrative expenses	244	(77)
	944	787

	2018 £'000	2017 £'000
Operating lease rentals		
– property	686	613
– plant and equipment	1,225	1,025
	1,911	1,638
Inventory cost		
Cost of inventories recognised as an expense	24,299	14,674
Inventory provision reversed	(694)	(1,188)
	23,605	13,486

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

	2018 £'000	2017 £'000
Other items		
Research and development current year expenditure, not capitalised	302	181
Own work capitalised	(311)	(2,987)
Trade receivables impairment (note 15)	(137)	(170)
Net foreign exchange gains	(664)	(3,142)
Gains on sale of property, plant and equipment	(2,361)	(887)
Direct expenses for investment properties generating rental income	–	84

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.

	2018 £'000	2017 £'000
Audit of these financial statements	86	86
Fees payable to the Company's auditor and its associates for other services		
– audit of the Company's subsidiaries pursuant to legislation	243	183
– other services	26	21
	355	290

	2018 £'000	2017 £'000
Audit fee of the Company	45	40

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.

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:

	2018 £'000	2017 £'000
Audit fees	105	101
Other services	101	–
	206	101

Summary

	2018 £'000	2017 £'000
Total fees paid or payable to all of the Groups' auditors for audit and other services were	561	391

Other operating income

	2018 £'000	2017 £'000
Other operating income	1,686	2,203

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

Other gains

Other gains and losses comprises profits arising on financial assets classified as available for sale. They have been disclosed separately in order to improve a reader's understanding of the financial statements and are not disclosed within operating profit as they are non-trading in nature.

	Group	
	2018 £'000	2017 £'000
Other gains		
Gains on financial instruments classified as available for sale	3,708	–

The gain of £3,708,000 (2017: £nil) relates to the gain on the disposal of the Group's interest in Max Sight Limited and Fullwise Limited as described in note 14.

Specific items

	Group	
	2018 £'000	2017 £'000
Profit on sale of land & buildings	2,320	–
Restructuring costs	(2,630)	–
	(310)	–

Profit on sale of land relates to the profit realised following the sale of the former head office building in Bookham. Restructuring costs relate to the refocusing of Photo-Me Retail Limited's operations to unattended digital printing kiosk activities and the closure of manned retail outlets.

Reconciliation of profit before tax to underlying profit before tax

	2018 £'000	2017 £'000
Underlying profit before tax		
Profit before tax	50,175	48,039
Adjustments to exclude:		
Gains on financial instruments classified as available for sale	(3,708)	-
Profit on sale of land & buildings	(2,320)	-
Restructuring costs	2,630	-
Translation reserve taken to profit and loss on disposal of subsidiary	-	(1,415)
Underlying profit before tax	46,777	46,624

There were no Specific items in the year ended 30 April 2017 above operating profit.

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	
	2018 £'000	2017 £'000
Wages and salaries	42,372	40,658
Social security costs	8,596	8,402
Share options granted to directors and employees	197	296
Post-employment benefit costs		
– defined benefit schemes	212	220
– defined contribution schemes	293	289
– other post-employment costs	–	278
	51,670	50,143

Directors' emoluments

Full details of directors' remuneration and share options are given in the Remuneration Report on pages 52 to 64.

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

	Group	
	2018 number	2017 number
Full – time	1,167	975
Part – time	204	418
	1,371	1,393
UK: Full – time	474	296
UK: Part – time	49	257
Continental Europe: Full – time	522	518
Continental Europe: Part – time	28	35
Asia and rest of the world: Full – time	171	161
Asia and rest of the world: Part – time	127	126
	1,371	1,393

6 FINANCE REVENUE AND COSTS

	2018 £'000	2017 £'000
Finance revenue		
Bank interest	5	69
Other interest	138	7
Dividends received from investments	285	–
Other financial income	230	1,412
	658	1,488
Finance costs		
Bank loans and overdrafts at amortised cost	286	241
Other loans at amortised cost and finance leases	11	15
	297	256

7 TAXATION EXPENSE

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

	2018 £'000	2017 £'000
Taxation		
Current taxation		
UK Corporation tax		
– current year	5,517	2,641
– prior years	(1,198)	(26)
	4,319	2,615
Overseas taxation		
– current year	3,230	8,917
– prior years	1,302	(333)
	4,532	8,584
Total current taxation	8,851	11,199
Deferred taxation		
Origination and reversal of temporary differences		
– current year: UK	934	326
– current year: overseas	19	1,225
Adjustments to estimated recoverable amounts of deferred tax assets arising in previous years		
– UK	–	201
– Overseas	–	(124)
Impact of change in rate	85	74
Total deferred tax	1,038	1,702
Tax charge in the statement of comprehensive income	9,889	12,901

Tax relating to items charged to other components of comprehensive income

	2018 £'000	2017 £'000
Corporation tax	–	1,058
Deferred tax	(12)	27
Tax (charge)/credit in other comprehensive income	(12)	1,085

Reconciliation of total tax charge

The difference between the Group tax charge and the standard UK corporation tax rate of 19.0% (2017: 19.92%) is explained below:

	2018 £'000	2017 £'000
Profit before tax	50,175	48,039
Tax using the UK corporation tax rate of 19.0% (2017: 19.9%)	9,533	9,569
Effect of:		
– non–taxable items	33	(254)
– change in UK tax rates	28	60
– overseas tax rates	367	3,809
– income not assessable	(711)	–
– losses not recognised in deferred tax incurred/(relieved)	537	(1)
– adjustments to tax in respect of prior years	102	(282)
Total tax charge	9,889	12,901
Effective tax rate	19.7%	26.9%

The Group tax charge of £9.9m (2017: £12.9m) corresponds to an effective tax rate of 19.7% (2017: 26.9%).

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.

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 £22,155,000 (2017: £47,569,000), including dividends received from subsidiaries.

9 DIVIDENDS PAID AND PROPOSED

	2018		2017	
	Pence per share	**£'000**	Pence per share	£'000
Interim				
2017 paid on 11 May 2017	3.090	11,633	–	–
2016 paid on 12 May 2016	–	–	2.575	9,669
Final				
2017 approved at AGM held on 25 October 2017	3.940	14,845	–	–
2016 paid 10 November 2016	–	–	3.285	12,365
Special				
2016 paid 10 November 2016	–	–	2.815	10,595
	7.030	26,478	8.675	32,629

Year ended 30 April 2018 – Proposed dividends not yet paid

The Board declared an interim dividend of 3.71p per share for the year ended 30 April 2018, amounting to £14,005,000, which was paid on 11 May 2018. The Board proposes a final dividend for the year ended 30 April 2018 of 4.73p per share, which is subject to shareholder approval at the Annual General Meeting to be held on 24 October 2018.

Year ended 30 April 2017 – Paid after 30 April 2017

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 proposed a final dividend for the year ended 30 April 2017 of 3.94p per share, which was approved by shareholders at the Annual General Meeting held on 25 October 2017.

10 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net earnings attributable to shareholders of the Parent of £40,134,000 (2017: £34,991,000) 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:

	2018			2017		
	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	40,134	377,190	10.64	34,991	376,141	9.30
Effect of dilutive share options		1,555	(0.04)		1,321	(0.03)
Diluted earnings per share	40,134	378,745	10.60	34,991	377,462	9.27

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.

Alternative earnings per share

The table below reconciles earnings per share (EPS) and diluted earnings per share (DPS) before and after Specific items.

	2018			2017		
	£'000	**Earnings per share pence**	**Diluted earnings per share**	£'000	Earnings per share pence	Diluted earnings per share
Profit for the year attributable to owners of the Parent	40,134	10.64	10.60	34,991	9.30	9.27
Specific items net of tax	(190)	(0.05)	(0.05)	(1,415)	(0.38)	(0.37)
Gain on financial assets classified as available for sale	(3,708)	(0.98)	(0.98)	-	-	-
Earnings after specific items	36,236	9.61	9.57	33,576	8.92	8.90

Details of Specific items are set out in note 4.

11 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Group

	£'000
Cost:	
At 1 May 2016	11,903
Exchange differences	207
At 30 April 2017	12,110
At 1 May 2017	**12,110**
Exchange differences	69
Additions	1,554
At 30 April 2018	**13,733**
Impairment charges:	
At 1 May 2016	297
Exchange differences	1
At 30 April 2017	298
At 1 May 2017	**298**
At 30 April 2018	**298**
Net book value:	
At 30 April 2018	**13,435**
At 30 April 2017	11,812
At 30 April 2016	11,606

The addition to goodwill in 2018 and 2017 relates to the acquisition of operations in the United Kingdom.

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 nine (2017: eight) cash-generating units (CGUs); allocated between geographical areas and activity in accordance with impairment testing in the prior year:

	Total	
Carrying amount	**2018 £'000**	2017 £'000
UK & Ireland		
CGU 1 - Photo-Me Ireland Limited	154	154
CGU 2 - Photo-Me Northern Ireland	14	14
CGU 3 - Jolly Roger (Amusement Rides) Limited	317	317
CGU 4 - Fowler UK.com Limited	1,273	1,273
CGU 5 - Inox Equip Limited and Tersus Equip Limited	1,554	–
Total UK & Ireland	3,312	1,758
Continental Europe		
CGU 1 – Photomaton SAS	315	301
CGU 2 – Fotofix-Schnellphotoautomaten G.m.b.H.	2,021	1,934
CGU 3 – Copyphot SA	542	574
Total Continental Europe	2,878	2,809
Asia		
CGU 1 – Nippon Auto-Photo Kabushiki Kaisha	7,245	7,245
Total Asia	7,245	7,245
Total	13,435	11,812

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% (2017: 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.

Exchange rate

Goodwill arising on the Group's interest in Nippon Auto-Photo Kabushiki Kaisha arose before 1 May 2004, was not retrospectively adjusted to comply with IFRS and is therefore denominated in Sterling. As a result the exchange rate used to convert cash flows denominated in Japanese Yen into Sterling is a key assumption.

Discount rate 6.9%–8.31% (2017: 6.5%–7.8%)

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 8.3%, (2017:7.7%), Ireland 7.9% (2017: 7.6%), France 7.8% (2017: 7.5%), Germany 7.5% (2017:6.9%), Switzerland 6.9% (2017: 6.5%) and Japan 6.9% (2017: 6.5%). 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 reasonably 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 2018 (2017: none).

Other intangible assets
Group

	Research & development costs £'000	Other intangible assets £'000	Total £'000
Cost:			
At 1 May 2016	6,113	8,000	14,113
Exchange differences	364	513	877
Additions			
– Internally generated	2,390	–	2,390
– External	–	4,296	4,296
Disposals	(984)	(165)	(1,149)
Reclassifications	–	13	13
At 30 April 2017	7,883	12,657	20,540
At 1 May 2017	7,883	12,657	20,540
Exchange differences	142	174	316
Additions			
– Internally generated	2,510	–	2,510
– External	–	708	708
Disposals	(493)	(476)	(969)
At 30 April 2018	10,042	13,063	23,105
Amortisation:			
At 1 May 2016	1,431	3,976	5,407
Exchange differences	61	269	330
Provided during year	1,692	787	2,479
Disposals	(984)	(156)	(1,140)
Reclassifications	–	13	13
At 30 April 2017	2,200	4,889	7,089
At 1 May 2017	2,200	4,889	7,089
Exchange differences	45	11	56
Provided during year	1,824	944	2,768
Disposals	(493)	(275)	(768)
At 30 April 2018	3,576	5,569	9,145
Net book value:			
At 30 April 2018	6,466	7,494	13,960
At 30 April 2017	5,683	7,768	13,451
At 30 April 2016	4,682	4,024	8,706

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 £3,478,000 corresponding to droit au bail (2017: £3,216,000 and 2016: £2,343,000).

Droit au 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 carried at 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 the fair value is less than their carrying value, an impairment loss is recognised and charged to cost of sales. Management believes that no reasonably possible change in the basis of this assessment would cause the carrying value of these rights to exceed their recoverable value.

Also included in other intangible assets is £2,549,500 (2017: £2,846,000) relating to the licence which grants the right to use space in Asda stores following the acquisition of the Photo Division of Asda Stores Limited in the financial year ending 30 April 2017. The useful life of this intangible asset is finite and is being amortised over the term of the licence agreement (10 years) to October 2026. The amortisation charge is included within cost of sales. The Group tests the carrying value of the Asda licence annually for impairment, or more frequently if there are indications of impairment.

For the purpose of impairment testing, the recoverable amount of the cash generating unit was measured on the basis of its value in use, by applying cash flow projections based on financial forecasts covering the period to October 2026. The key assumptions for the value in use calculation were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecast period. The estimated growth rates were based on past performance and expectation of future changes in the market. The growth rate used was 2% (2017: 2%) and the pre-tax rate used to discount the forecast cash flows was 5.93% (2017: 5.93%).

Company

	Research & development costs £'000	Other intangible assets £'000	Patents & trade marks £'000	Total £'000
Cost:				
At 1 May 2016	1,457	1,285	5,506	8,248
Additions				
– Internally generated	376	–	–	376
– External	–	34	–	34
Disposals				
– Internal	(1,833)	(431)	(5,506)	(7,770)
– External	–	(108)	–	(108)
At 30 April 2017	–	780	–	780
At 1 May 2017	–	780	–	780
Disposals	–	(4)	–	(4)
At 30 April 2018	–	776	–	776
Amortisation:				
At 1 May 2016	243	630	1,652	2,525
Provided during year	314	275	277	866
Disposals				
– Internal	(557)	(247)	(1,929)	(2,733)
– External	–	(108)	–	(108)
At 30 April 2017	–	550	–	550
At 1 May 2017	–	550	–	550
Provided during year	–	163	–	163
Disposals	–	(4)	–	(4)
At 30 April 2018	–	709	–	709
Net book value:				
At 30 April 2018	–	67	–	67
At 30 April 2017	–	230	–	230
At 30 April 2016	1,214	655	3,854	5,723

12 PROPERTY, PLANT AND EQUIPMENT

Group

	Land & Buildings £'000	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost:				
At 1 May 2016	5,059	188,310	25,471	218,840
Exchange differences	331	12,247	1,804	14,382
Additions				
– Internal	–	1,381	–	1,381
– External	515	32,406	2,485	35,406
Reclassifications	–	(77)	77	–
Disposals	(284)	(15,984)	(1,700)	(17,968)
At 30 April 2017	5,621	218,283	28,137	252,041
Exchange differences	66	2,569	1,067	3,702
Acquired with new subsidiary	–	–	49	49
Additions				
– Internal	–	1,424	–	1,424
– External	814	34,164	4,057	39,035
Disposals	(180)	(14,765)	(627)	(15,572)
At 30 April 2018	6,321	241,675	32,683	280,679
Depreciation				
At 1 May 2016	3,767	138,642	20,337	162,746
Exchange differences	278	8,732	1,430	10,440
Provided during year	92	18,673	1,164	19,929
Reclassifications	–	(15)	15	–
Disposals	(138)	(14,334)	(1,591)	(16,063)
At 30 April 2017	3,999	151,698	21,355	177,052
Exchange differences	43	1,243	820	2,106
New subsidiary	–	–	20	20
Provided during year	165	20,693	1,427	22,285
Disposals	(138)	(12,731)	(471)	(13,340)
At 30 April 2018	4,069	160,903	23,151	188,123
Net book value:				
At 30 April 2018	2,252	80,772	9,532	92,556
At 30 April 2017	1,622	66,585	6,782	74,989
At 30 April 2016	1,292	49,668	5,134	56,094

Internal additions for photobooths and vending machines of £1,424,000 (2017: £1,381,000) relate to own work capitalised, being equipment produced by the subsidiaries and capitalised by the group companies.

Included within Group property, plant and equipment on page 103 are assets held under finance leases, as follows:

	2018		2017	
	Photobooths and vending machines £'000	**Plant, machinery, furniture, fixtures and motor vehicles £'000**	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000
Net book value	–	392	–	473
Additions/reclassifications	–	81	–	135
Depreciation charge	–	151	–	181

The Group tests all operating equipment asset classes with a carrying value of £150,000 or more for impairment annually, or more frequently if there are indications of impairment. Impairment reviews on operating equipment are conducted on a value in use basis.

For the purpose of impairment testing, the recoverable amount of the CGU was measured on the basis of its value in use, by applying cash flow projections based on financial forecasts covering a period of up to eight years. The key assumptions for the value in use calculation were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecast period. The estimated growth rates were based on historic performance trends and budgets. The growth rate used to extrapolate cash flow projections beyond the period covered by the financial forecasts ranged from 0% to 3% (2017: 0%-3%). A conservative pre-tax discount rate of 10% (2017: 10%) was applied to the cash flows. No impairment losses were identified (2017: £nil).

Company

	Land & Buildings £'000	Photobooths and vending machines £'000	Plant, machinery, furniture, fixtures and motor vehicles £'000	Total £'000
Cost:				
At 1 May 2016	100	36,809	1,063	37,972
Additions				
– internal	–	4,788	–	4,788
– external	–	396	198	594
Disposals				
– internal	–	(41)	(130)	(171)
– external	(92)	(3,630)	(716)	(4,438)
At 30 April 2017	8	38,322	415	38,745
Additions				
– internal	–	6,120	–	6,120
– external	–	1,502	617	2,119
Disposals				
– external	–	(3,412)	(92)	(3,504)
At 30 April 2018	8	42,532	940	43,480
Depreciation				
At 1 May 2016	100	28,495	994	29,589
Provided during year	–	3,540	34	3,574
Disposals				
– internal	–	(5)	(81)	(86)
– external	(92)	(2,849)	(721)	(3,662)
At 30 April 2017	8	29,181	226	29,415
Provided during year	–	3,643	68	3,711
Disposals				
– external	–	(3,296)	(41)	(3,337)
At 30 April 2018	8	29,528	253	29,789
Net book value:				
At 30 April 2018	–	13,004	687	13,691
At 30 April 2017	–	9,141	189	9,330
At 30 April 2016	–	8,314	69	8,383

Internal additions for photobooths and vending machines of £6,120,000 (2017: £4,788,000) 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
Cost:	
At 1 May 2016	11,866
Exchange differences	908
At 30 April 2017	12,774
Exchange differences	573
At 30 April 2018	13,347
Depreciation	
At 1 May 2016	11,237
Exchange differences	860
Provided during year	15
At 30 April 2017	12,112
Exchange differences	543
Provided during year	16
At 30 April 2018	12,671
Net book value:	
At 30 April 2018	676
At 30 April 2017	662
At 30 April 2016	629

The investment property is freehold and is stated at cost.

The property was valued by an independent professional valuer in April 2018, with a value of €7.7m based on a market value for similar properties.

The Group sold the rights to the future rental stream on the property for the period up to April 2019 in the year ended 30 April 2011, receiving €9.2m (£8.2m) in respect of this. The associated liability of €644,000 (£566,000) is reflected in accruals and deferred income (note 25).

Rental income from the investment property was £1,093,000 (2017: £1,038,000) (note 4) and finance costs were £7,000 (2017: £21,000).

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

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

	2018 £'000	2017 £'000
No later than one year	1,101	1,033
After one year but no more than five years	–	1,033
	1,101	2,066

Company

The Company has no investment property.

14 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Investment in associates

Group

	£'000
Cost:	
At 30 April 2016	1,713
Exchange differences	104
Additions	361
Share of profits	196
Dividends	(279)
At 30 April 2017	2,095
Exchange differences	(2)
Deemed disposal on Max Sight Limited and Fullwise Limited	(400)
Share of profits	194
Dividends	(304)
At 30 April 2018	1,583

On 28 February 2018, Max Sight Group Holdings Limited was listed on the Hong Kong Growth Enterprise Market. In preparation for the listing, Max Sight Limited and Fullwise Limited (included in 'Other' below) were merged with certain other companies to form an enlarged group (Max Sight Group Holdings Limited), resulting in a dilution of Photo-Me's shareholding. Following the listing, Photo-Me's interest in Max Sight Group Holdings Limited was approximately 13.75% of the total issued share capital and voting rights. As a result, Max Sight Limited and Fullwise Limited ceased to be associates and accordingly, Max Sight Limited and Fullwise Limited were de-recognised as associated entities resulting in a deemed disposal. The amounts shown below in respect of Max Sight Limited are the Group's share of revenue and profit for the period in which Max Sight Limited and Fullwise Limited were associates.

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

Name	Country of incorporation	Assets £'000	Liabilities £'000	Revenue £'000	Share of profit £'000	Interest %
At 30 April 2017						
Max Sight Ltd	Hong Kong	604	79	777	163	33.33
Photo Direct Pty Ltd	Australia	418	74	886	30	26.95
Stilla Technologies SA	France	1,178	–	–	–	50.00
Other associates		91	43	107	3	
		2,291	196	1,770	196	
At 30 April 2018						
Max Sight Ltd	Hong Kong	–	–	394	94	–
Photo Direct Pty Ltd	Australia	445	83	943	96	26.95
Stilla Technologies SA	France	1,178	–	–	–	50.00
Other associates		62	19	107	4	
		1,685	102	1,444	194	

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.

Company

	Associated undertakings £'000	Subsidiary undertakings £'000	Total £'000
Costs:			
At 1 May 2016	407	45,305	45,712
Additions	–	3,069	3,069
Capital increase relating to share-based payment (net)	–	227	227
Disposals	–	(771)	(771)
At 30 April 2017	407	47,830	48,237
Capital increase relating to share-based payment (net)	–	177	177
Disposals	(369)	(21)	(390)
At 30 April 2018	38	47,986	48,024
Provision:			
At 1 May 2016	7	843	850
Decrease	–	(450)	(450)
At 30 April 2017	7	393	400
Decrease	(4)	(21)	(25)
At 30 April 2018	3	372	375
Net book value:			
At 30 April 2018	35	47,614	47,649
At 30 April 2017	400	47,437	47,837
At 30 April 2016	400	44,462	44,862

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.

Included in the Company's investment in subsidiary undertakings is £33,843,000 (2017: £33,843,000) relating to the Company's investment in Nippon Auto-Photo Kabushiki Kaisha.

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

15 FINANCIAL INSTRUMENTS

Group Treasury

The Group has a centralised treasury function. 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 Group's Treasury 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 Treasury Company 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 monitors the performance of the Treasury function and is responsible for making changes to the personnel and limits of authority of Treasury personnel.

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

Interest-bearing borrowings

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

Trade and other payables

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

IFRS 13 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 liabilities that are not based on observable market data

The Group's financial instruments are fair valued at level 3 with the exception of the investment in Max Sight Group Holdings Ltd, which as a listed investment is valued at level 1.

Financial instruments by category

The tables below show financial instruments by category.

At 30 April 2018	**Loans and receivables £'000**	**Available for sale £'000**	**Total £'000**
Assets per statement of financial position			
Other financial assets – held to maturity	1,710	–	1,710
Other financial assets – available-for-sale	–	4,286	4,286
Trade and other receivables	17,676	–	17,676
Cash and cash equivalents	58,657	–	58,657
	78,043	4,286	82,329

	Other financial liabilities at amortised cost £'000	**Total £'000**
Liabilities per statement of financial position		
Borrowings	33,325	33,325
Leases	354	354
Trade and other payables excluding non – financial liabilities	40,736	40,736
	74,415	74,415

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

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

15(b) Financial statement risk management

Financial risk factors and financial risk management

Overview

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

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

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

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

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

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

Risk Management Framework

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

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

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

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

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

(i) Credit risk

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

Credit quality of financial assets

Individual Group companies have banking relationships with leading banks in the country in which the Group company operates. Surplus cash is placed 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 £1,612,000 (30 April 2017: £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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At 1 May	282	420	607	591
Exchange differences	7	33	–	–
Charged/(Credited) to income statement	(137)	(170)	–	16
Utilised and other movements	(8)	(1)	–	–
At 30 April	144	282	607	607

At 30 April 2018, trade receivables of £3,392,000 (2017:£2,913,000) 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 current trade receivables is as follows:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Current	7,085	8,475	642	804
Past due				
– overdue 1-30 days	1,400	545	64	18
– overdue 31-60 days	433	382	10	6
– overdue 61 days	1,559	1,986	101	91
Total past due	3,392	2,913	175	115
Total trade receivables	10,477	11,388	817	919

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 £26,164,000 (2017:£33,272,000) are all current.

(ii) Liquidity risk

The Group's liquidity risk management involves maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Trading forecasts indicate that the current facilities provide more than sufficient liquidity headroom to support the business for the foreseeable future. The net cash position at 30 April 2018 and 30 April 2017 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 2018 and 30 April 2017, 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 2018 and 30 April 2017 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
At 30 April 2018							
Interest bearing loans and borrowings and interest free loans	6,406	6,363	6,321	6,278	4,207	5,025	34,600
Finance leases	133	139	55	22	4	–	353
Rental payments							
Trade and other payables	39,945	–	–	–	–	–	39,945
	46,484	6,502	6,376	6,300	4,211	5,025	74,898
At 30 April 2017							
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
	39,781	3,466	2,619	1,810	1,773	1,105	50,554

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
At 30 April 2018							
Trade and other payables	27,001	–	–	–	–	–	27,001
Interest bearing group balances including interest	–	–	–	–	–	–	–
	27,001	–	–	–	–	–	27,001
At 30 April 2017							
Trade and other payables	22,375	–	–	–	–	–	22,375
Interest bearing group balances including interest	–	–	–	–	–	–	–
	22,375	–	–	–	–	–	22,375

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.

(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.

Financial instruments classified as available for sale

Included in financial instruments classified as available for sale is the Group's and Company's interest in Max Sight Group Holdings Limited, which at 30 April 2018 amounted to £4,074,000 (30 April 2017: £nil). Max Sight Group Holdings Limited is listed and is thus subject to variations in the quoted price. The Group's other investments in equity securities are not listed, are not material thus the Group does not have any significant exposure to price risk on these equity investments.

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**
2018			
Profit for the year	40,286	40,601	40,028
Total equity	144,810	145,125	144,552
2017			
Profit for the year	35,138	35,388	34,815
Total equity	129,302	129,537	128,998

Borrowings

At 30 April 2018 and 30 April 2017 the Group had no borrowings which were not denominated in the functional currency of the Group company concerned.

Analysis of net cash by currency

Group	Bank £'000	Financial assets £'000	Loans £'000	Leases £'000	Total £'000
2018					
Sterling	13,573	974	–	(28)	14,519
Euro	35,006	728	(33,325)	(21)	2,388
Swiss Franc	2,820	8	–	–	2,828
US Dollar	139	–	–	–	139
Japanese yen	4,669	–	–	(305)	4,364
Other currencies	2,450	–	–	–	2,450
	58,657	1,710	(33,325)	(354)	26,688
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
	47,505	2,389	(10,238)	(444)	39,212

Interest rate risk

	2018 £'000	2017 £'000
Net cash		
Mainly non-interest bearing current accounts:		
– Cash at bank and in hand	58,050	47,094
Deposit accounts – generally interest bearing:		
– Bank deposit accounts	607	411
– Restricted deposit accounts	1,710	2,389
Other items		
Interest free and interest bearing loans	(33,325)	(10,238)
Interest bearing finance leases	(354)	(444)
	26,688	39,212

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 2018 and 30 April 2017.

IFRS 7 sensitivity analysis

With current low interest rates and the Group's 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 2018 of £33,325,000, of which £33,325,000 (30 April 2017 of £9,445,000) is subject to a fixed interest rate of 1.2%. An increase of 1% in the fixed rate of interest would result in an extra £400,000 (30 April 2017: £95,000) of interest expense.

Terms and debt repayment schedule

The table below shows the maturity profile and interest rates of the Groups borrowings at 30 April 2018 and 30 April 2017. 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 2018 (2017: none).

Group	Status	Currency	Interest rate	Year of maturity	**2018 Carrying amount £'000**	2017 Carrying amount £'000
Finance leases	Fixed rate	Various	0.0% -7.2%	2023	354	444
Loans	Fixed rate	Euro	1.20%	2025	33,325	9,545
Loans	Fixed rate	JPY	1.48%	2018	–	693
					33,679	10,682

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.

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.

	2018 £'000	2017 £'000
Cash and cash equivalents	58,657	47,505
Borrowings	(33,679)	(10,682)
Net cash (excluding restricted deposits)	24,978	36,823
Equity	144,810	129,302

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.

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

Group	**Assets held to maturity 2018 £'000**	**Assets available for sale 2018 £'000**	Assets held to maturity 2017 £'000	Assets available for sale 2017 £'000
Non-current	1,710	212	2,389	81
	1,710	212	2,389	81

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 (2017: £nil) and investments in listed and unlisted entities, net of impairment provisions. Included in investments available for sale for the Group and Company at 30 April 2018 is the investment in Max Sight Ltd of £4,074,000 (note 14).

Company	**Assets held to maturity 2018 £'000**	**Assets available for sale 2018 £'000**	Assets held to maturity 2017 £'000	Assets available for sale 2017 £'000
Non-current	974	–	973	–
	974	–	973	–

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

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Non-current assets				
Trade receivables – external	1,599	–	–	–
Other receivables	472	1,977	–	–
Prepayments and accrued income	45	48	–	–
	2,116	2,025	–	–
Current assets				
Trade receivables	10,476	11,388	817	919
Trade receivables – related parties	492	–	–	–
Amounts due from subsidiaries	–	–	26,164	33,272
Amounts due from associated undertakings	1,120	1,015	–	–
Other receivables	3,516	2,700	406	79
Prepayments and accrued income	5,009	3,439	2,761	1,077
	20,613	18,542	30,148	35,347

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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Raw materials and consumables	15,399	15,223	1,426	1,267
Work-in-progress	347	118	–	–
Finished goods	7,156	4,077	744	598
	22,902	19,418	2,170	1,865

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

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Cash at bank and in hand	58,050	47,094	11,500	11,515
Deposit accounts (excluding restricted deposits)	607	411	–	20
Cash and cash equivalents per statement of financial position	58,657	47,505	11,500	11,535
Cash and cash equivalents per cash flow	58,657	47,505	11,500	11,535

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

		Group		Company	
	Notes	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Cash and cash equivalents per statement of financial position	18	58,657	47,505	11,500	11,535
Financial assets – held to maturity	15	1,710	2,389	974	973
Non-current borrowings	21	(27,319)	(7,894)	–	–
Current borrowings	21	(6,006)	(2,344)	–	–
Non-current finance leases	21	(221)	(298)	–	–
Current finance leases	21	(133)	(146)	–	–
		26,688	39,212	12,474	12,508

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

At 30 April 2018, £1,710,000 of the total net cash (2017: £2,389,000) 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 current and non-current borrowings outstanding.

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

The tables below, which are not currently required by IFRS, reconcile the Group's net cash to the Group's statement of cash flows. Management believes the presentation of the tables will be of assistance to shareholders. 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
2017/18					
Cash and cash equivalents per statement of financial position and cash flow	47,505	165	–	10,987	58,657
Financial assets held to maturity	2,389	8	–	(687)	1,710
Non-current loans	(7,894)	(354)	7,311	(26,382)	(27,319)
Current loans	(2,344)	(46)	(7,311)	3,695	(6,006)
Leases	(444)	47	(75)	118	(354)
	39,212	(180)	(75)	(12,269)	26,688
2016/17					
Cash and cash equivalents per statement of financial position and cash flow	71,005	1,959	–	(25,459)	47,505
Financial assets held to maturity	2,253	165	–	(29)	2,389
Non-current loans	(8,866)	(678)	1,650	–	(7,894)
Current loans	(1,515)	(116)	(1,650)	937	(2,344)
Leases	(462)	(32)	(123)	173	(444)
	62,415	1,298	(123)	(24,378)	39,212

Other movements for finance leases relates to new finance leases during the year.

Company	1 May £'000	Cash flow £'000	30 April £'000
2017/18			
Cash and cash equivalents per statement of financial position and cash flow	11,535	(35)	11,500
Financial asset held to maturity	973	1	974
	12,508	(34)	12,474
2016/17			
Cash and cash equivalents per statement of financial position and cash flow	46,840	(35,305)	11,535
Financial asset held to maturity	971	2	973
	47,811	(35,303)	12,508

20 SHARE CAPITAL AND RESERVES

Share capital
Group and Company

	2018 Number	2017 Number	2018 £'000	2017 £'000
Allotted, issued and fully paid:				
Ordinary shares of 0.5p each				
At 1 May	376,474,871	375,478,778	1,882	1,877
Issued in year – share options	1,024,766	996,093	5	5
At 30 April	377,499,637	376,474,871	1,887	1,882

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 2017	Granted during year	Lapsed or forfeited during year	Exercised during year	At 30 April 2018	Exercise price	Date from which exercisable	Last date on which exercisable
12 Jul 2010	15,000	–	–	(15,000)	–	36.33p	12 Jul 2013	11 Jul 2017
4 Jul 2011	105,000	–	–	(60,000)	45,000	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	262,000	–	–	–	262,000	39.17p	4 Jul 2015	3 Jul 2019
9 Jul 2013	1,098,000	–	–	(100,000)	998,000	90.63p	9 Jul 2016	8 Jul 2020
11 Jul 2014	1,331,700	–	–	(846,700)	485,000	145.33p	11 Jul 2017	10 Jul 2021
9 Jul 2015	1,347,600	–	(156,934)	(3,066)	1,187,600	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	–	(220,000)	–	903,300	141.50p	13 July 2019	12 July 2023
21 Jul 2017	–	985,200	(280,000)	–	705,200	157.00p	21 Jul 2020	21 Jul 2024
	5,590,000	985,200	(656,934)	(1,024,766)	4,893,500			

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
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			

Full details of directors' share options are given in the Remuneration report on pages 52 to 64.

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 2018 is 121.2p (2017: 120.1p) and the weighted average exercise price of options exercisable at 30 April 2018 is 91.9p (2017: 74.7p).

The weighted average share price for options exercised during the year ended 30 April 2018 was 133.7p (30 April 2017: 162.8p).

The weighted average remaining years for options outstanding at the year end date is 4 years (2017: 4.3 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 2018 and 30 April 2017:

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	3.25years	3.25years	3.25years
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	3.25years	3.25years	3.25years
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

Date of grant	**09 July 2013**	**11 July 2014**	**9 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**	**21 July 2017**
Vesting period	3 years	3 years	3 years
Share price volatility	26.16%	26.35%	36.00%
Share price on date of grant	154.00p	146.75p	159.00p
Option price	153.25p	141.50p	157.00p
Expected term	3.25 years	3.25 years	3.25 years
Dividend yield	3.32%	3.99%	4.00%
Risk free interest rate	0.90%	0.11%	0.62%
Fair value	21.78p	19.72p	30.61p

The charge for share-based payments is £197,000 (2017: £296,000) and for the Company the charge is £20,000 (2017: £69,000).

Share price volatility is based on historical data.

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 2018 and 30 April 2017 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 (2017: £201,000) arising on the redemption of the deferred shares and £1,864,000 (2017: £1,687,000) relating to the fair value of options granted to employees of Group undertakings.

21 FINANCIAL LIABILITIES

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Non-current liabilities				
Non-current instalments due on bank loans	27,319	7,894	–	–
Finance lease creditors	221	298	–	–
	27,540	8,192	–	–
Current liabilities				
Current instalments due on loans	6,006	2,344	–	–
Finance lease creditors	133	146	–	–
	6,139	2,490	–	–

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 (2017: four) years (note 12). The total finance lease creditor at 30 April 2018 is £354,000, of which £133,000 is due within one year and the remaining £221,000 due between two and five years, (2017: total finance lease creditor £444,000, £146,000 due within one year and £298,000 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.

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 plan assets above the amount included in net pension interest.

Defined contribution 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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Overseas employment benefit obligations	4,592	4,441	–	–
Overseas defined benefit scheme	932	1,015	–	–
	5,524	5,456	–	–

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 the employee's length of service and final pensionable salary.

The actuarial valuation of the scheme has revealed a surplus at 30 April 2018, 30 April 2017, 30 April 2016 and 30 April 2015. This surplus has not been recognised as an asset, in accordance with IFRIC 14, 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.

The Fund is administered by a corporate Trustee, with Trustee Directors, which is legally separate from the Company. The Trustee Directors include representatives of both the Company and Fund members. The Trustee Directors are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The level of benefits provided by the Fund depends on a member's length of service and salary at date of leaving or retiring from the Fund. Annual pension increases between leaving the Fund and retirement are linked to increases in the Retail Prices Index (RPI). After retirement, annual pension increases are at 3.0% pa for pension accrued before April 1997 and in line with increases in the RPI, up to a maximum of 5.0% pa, for pension accrued from April 1997.

The benefit payments are from a trustee administered fund containing assets held in trust and governed by UK regulations and practice. The amount of Company contributions is decided jointly by the Trustee Directors and the Company.

The Fund's investment strategy is decided by the Trustee Directors, in consultation with the Company. The Trustee Directors exercise their powers of investment (or delegation where these powers have been delegated to a fund manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across asset classes. The assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Fund. Day to day selection of stocks is delegated to fund managers appointed by the Trustee Directors. As regards the review and selection of their fund managers, the Trustee Directors take expert advice.

UK legislation requires that pension schemes are funded prudently. The most recent triennial funding valuation of the Fund was carried out by a qualified actuary with an effective date of 1 June 2015. At this date the Fund had a funding level of 104% and a surplus of approximately £0.3 million on a technical provisions basis. This basis uses actuarial assumptions adopted by the Trustee Directors of the Fund that are consistent with the Fund continuing on an ongoing basis with support from the Company.

Risks associated with the Fund

The fund exposes the Company to a number of risks, the most significant of which are described below.

Risk	
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit.
Changes in bond yields	A decrease in corporate bond yields will increase the value placed on the Fund's liabilities for IAS 19, although this will be partially offset by an increase in the value of the Fund's bond holdings and insurance policies backing pensions in payment.
Inflation risk	Some of the Fund's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Life expectancy	The majority of the Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

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

	2018 £'000	2017 £'000
Present value of defined benefit obligation at beginning of year	6,639	6,303
Current service cost	8	9
Interest cost	162	202
Contributions by members	–	1
Actuarial gains on fund liabilities arising in demographic assumptions	(296)	(62)
Actuarial (gains)/losses from changes in financial assumptions	(139)	607
Actuarial gains on liabilities from experience	(87)	(49)
Benefits paid	(340)	(372)
Present value of defined benefit obligation at end of year	5,947	6,639

Reconciliation of the movement in the fair value of plan assets

	2018 £'000	2017 £'000
Fair value of plan assets at beginning of year	7,223	6,716
Interest income on fund assets	176	216
Remeasurement (losses)/gains on assets	(409)	653
Contributions by the Company	7	9
Contributions by members	–	1
Benefits paid	(340)	(372)
Fair value of plan assets at end of year	6,657	7,223

Amount to be recognised in the statement of financial position

	2018 £'000	2017 £'000
Present value of funded obligations	5,947	6,639
Fair value of scheme assets	(6,657)	(7,223)
Net surplus	(710)	(584)
Effect of limit of recognition of an asset	710	584
Amount recognised in statement of financial position	–	–

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 (2017: loss of £1,375,000) in respect of the Company's defined benefit scheme. This has been charged to retained earnings.

Amount recognised in profit and loss and other comprehensive income

	2018 £'000	2017 £'000
Amount recognised in profit and loss		
Current service cost	8	9
Interest on net defined liability/(asset)	–	–
Total charge	8	9
Pension expense recognised in profit and loss	8	9
Remeasurement in Other comprehensive income		
Return on Scheme assets below/(in excess of) that recognised in net interest	409	(653)
Actuarial (gains)/losses due to changes in financial assumptions	(139)	607
Actuarial gains due to changes in demographic assumptions	(296)	(62)
Actuarial gains on liabilities arising from experience	(87)	(49)
Adjustment due to the asset ceiling	112	157
Total income amount recognised in other comprehensive income	(1)	–
Total expense amount recognised in comprehensive income	7	9

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:

	2018		2017	
	£'000	**%**	£'000	%
Bonds	3,914	59	4,090	57
Insurance policies	2,730	41	3,133	43
Other	13	–	–	–
	6,657	100	7,223	100

There were no financial instruments of the Company included in the plan assets (2017: none) and there were no property assets occupied by the Company (2017: none).

Principal actuarial assumptions

	30 April 2018	30 April 2017
Discount rate for scheme liabilities	2.70	2.50
Rate for increase in salaries	1.50	1.50
Price inflation	3.20	3.30
Pension increases	3.00	3.00

The mortality tables used for 2018 are SAPS S2N Light tables for males and S2N all lives for females, with CMI 2014 projections and a long term rate of improvement of 1.5% pa. The mortality tables used for 2017 are S2NXA Light tables with CMI 2014 projections and a long-term rate of improvement of 1.5% pa. The mortality assumptions allow for expected future improvements in mortality rates.

	2018	2017
Male currently aged 65	23.4 years (age 88.4)	24.1 years (age 89.1)
Female currently aged 65	24.3 years (age 89.3)	25.3 years (age 90.3)
Male currently aged 45	25.0 years (age 90.0)	26.2 years (age 91.2)
Female current aged 45	26.1 years (age 91.1)	27.5 years (age 92.5)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fair value of defined benefit obligation	5,947	6,639	6,303	6,562	5,922
Fair value of assets	6,657	7,223	6,716	6,938	6,379
Surplus	710	584	413	376	457

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Experience (losses)/gains on fund assets	(409)	653	(75)	581	(357)
Experience (losses)/gains on plan liabilities	(87)	49	76	(40)	246

The liabilities for 2018, 2017, 2016, 2015 and 2014 relate 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.

Year ended 30 April 2018	Service cost £'000	Net Interest £'000	Total profit and loss charge £'000	Plan assets £'000	Defined benefit obligation £'000	Surplus £'000
As reported	8	–	8	6,657	5,947	710
Following a 0.1% decrease in the discount rate	8	–	8	6,681	6,015	666
Following a 0.1% pa increase in the inflation assumption	8	–	8	6,660	5,964	696
Following an increase in the life expectancy of one year	8	–	8	6,928	6,277	651

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.

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 2018 and 30 April 2017. This actuarial valuation incorporated the following principal assumptions in arriving at the present value of the obligations:

	2018	2017
Discount rate	1.45%	1.35%
Rate of increase in salaries	1.75%	2.00%
Retirement age	61–63 years	62–64 years
Inflation rate	1.75%	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 2018 and 30 April 2017.

The movement on these schemes is as follows:

	2018 £'000	2017 £'000
At 1 May	4,441	3,833
Exchange differences	59	304
Utilised and other movements	92	304
At 30 April	4,592	4,441

Utilised and other movements for 2018 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 2018 and 30 April 2017 by independent actuaries.

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

	2018 £'000	2017 £'000
Present value of defined benefit obligation at 1 May	4,062	3,526
Exchange differences	(218)	317
Contribution by members	45	42
Current service cost	196	203
Interest cost	25	20
Remeasurement losses on plan liabilities	(131)	186
Prepaid risk premiums	(56)	(63)
Benefits deposited/(paid)	(99)	(171)
Administration costs	2	2
Present value of defined benefit obligation at 30 April	3,826	4,062

Reconciliation of the movement in the fair value of plan assets

	2018 £'000	2017 £'000
Fair value of plan assets at 1 May	3,047	2,604
Exchange difference	(165)	234
Contributions by company and members	226	211
Expected return on plan assets	19	14
Remeasurement gain on plan assets	(78)	218
Benefits (paid)/deposited	(99)	(171)
Prepaid risk premiums	(56)	(63)
Fair value of plan assets at 30 April	2,894	3,047

Amount to be recognised in the statement of financial position

	2018 £'000	2017 £'000
Net liability at 1 May	1,015	922
Exchange difference	(53)	83
Increase/(decrease) in liability	(30)	10
Net liability at 30 April	932	1,015

Amounts recognised in comprehensive income

	2018 £'000	2017 £'000
Amount recognised in profit and loss		
Amounts recognised in comprehensive income		
Current service cost	196	203
Administrative expenses	2	2
Net pension interest	6	6
Total charge	204	211
Amount recognised in other comprehensive income		
Return on scheme assets	78	(218)
Actuarial losses on defined benefit obligation	(131)	186
Total amount recognised in other comprehensive income	(53)	(32)
Total amount recognised in profit and loss and other comprehensive income	151	179

	2018		2017	
	£'000	%	£'000	%
Cash	69	2	51	2
Equities & debt instruments	1,955	68	2,077	68
Other	870	30	919	30
Total plan assets	2,894	100	3,047	100

Principal actuarial assumptions

	30 April 2018 %	30 April 2017 %
Discount rate	0.70	0.60
Expected return on plan assets at end of year	n/a	n/a
Rate of increase in salaries	1.20	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 2018 and 2017.

The mortality tables used in 2018 and 2017 were the BVG 2015 GT tables; 2016, 2015 and 2014 used the BVG 2010 GT tables.

History of assets, liabilities and actuarial gains and losses

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of defined benefit obligation	3,826	4,062	3,526	3,381	2,529
Fair value of assets	2,894	3,047	2,604	2,491	2,205
Deficit	(932)	(1,015)	(922)	(890)	(324)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Experience gains/(losses) on plan liabilities	131	(186)	(107)	(571)	78
– as a percentage of the present value of plan liabilities	3%	(5%)	3%	(17%)	3%
Difference between expected and actual return on plan assets	(78)	218	168	94	1
– as a percentage of the present value of plan assets	(3%)	7%	6%	3%	0%

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		3,826	–
Defined benefit obligation	– with discount rate – 0.25%	4,006	180
	– with discount rate + 0.25%	3,659	(167)
	– with salary decrease – 0.25%	3,792	(34)
	– with salary increase + 0.25%	3,858	32
	– with life expectancy + 1 year	3,883	57
	– with life expectancy – 1 year	3,766	(60)

The Group's best estimate for contributions to be paid by the company next year to the scheme is £204,000 (2017: £189,000).

The amount recognised in the income statement for this scheme was £211,000.

23 PROVISIONS

Group

	Employee related claims £'000	Product warranties £'000	Other £'000	Total £'000
At 30 April 2016	895	75	3,143	4,113
Exchange differences	103	7	307	417
Utilised and other movements	(88)	(1)	(493)	(582)
Charged to income statement	(861)	(37)	(978)	(1,876)
At 30 April 2017	49	44	1,979	2,072
Amount shown as non-current liability	–	–	–	–
Amount shown as current liability	49	44	1,979	2,072
	49	44	1,979	2,072
At 30 April 2017	49	44	1,979	2,072
Exchange differences	10	2	70	82
Utilised and other movements	(52)	–	(1,992)	(2,044)
Charged to income statement	4	82	–	86
At 30 April 2018	11	128	57	196
Amount shown as non-current liability	–	–	–	–
Amount shown as current liability	11	128	57	196
	11	128	57	196

Employee related claims

Certain overseas Group undertakings have made provision for claims made by former employees.

Other provisions

Other provisions include provisions for potential legal claims against certain Group companies. During the year, Management determined that certain provisions were no longer required and were therefore released.

24 DEFERRED TAXATION

Deferred tax comprises:

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Timing differences relating to property, plant and equipment	3,605	1,025	(701)	(1,465)
Other timing differences in recognising revenue and expense items in other periods for taxation purposes:				
– research and development	344	572	–	–
– post-employment benefit provisions	(645)	(1,796)	–	–
– losses	(209)	(220)	–	–
– other short term temporary differences	(2,359)	(135)	(244)	(370)
	736	(554)	(945)	(1,835)
The closing balance comprises:				
Deferred tax assets	(1,935)	(3,641)	(945)	(1,835)
Deferred tax liabilities	2,671	3,087	–	–
	736	(554)	(945)	(1,835)

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Opening balance	(554)	(2,329)	(1,835)	(2,227)
Exchange differences	250	75	–	–
Acquired on acquisition of subsidiary	2	25	–	–
Charge/(Credit) for the year in income statement	1,038	1,702	890	374
Amounts (credited)/charged to other comprehensive income	–	(27)	–	18
Closing balance	736	(554)	(945)	(1,835)

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 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 £1,249,000 (2017: £1,220,000) arising on temporary differences of £5,114,000 (2017: £5,052,000), in respect of unrelieved tax losses and other temporary differences have not been recognised, as their future economic benefit is uncertain.

The expiry dates of unrelieved tax losses are as follows:

	Group	
	2018 £'000	2017 £'000
Expiring in less than one year	–	–
Expiring between two and 20 years	251	228
No expiry date	998	992
	1,249	1,220

In addition, the Group has an unrecognised deferred tax asset on gross capital losses of £3,756,000 (2017: £3,756,000), of which £3,627,000 (2017: £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

There will be a reduction in the corporation tax rates in two of the major jurisdictions in which the Group operates, in the UK to 17% from 2020 and in France to 25% from 2022 respectively. 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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amounts shown as non-current liabilities				
Other payables	224	1,500	–	–
Accruals and deferred income	–	810	–	–
	224	2,310	–	–
Amounts shown as current liabilities				
Trade payables	27,309	24,650	4,257	3,585
Amounts owed to subsidiaries	–	–	21,462	17,496
Other taxes and social security costs	2,988	2,700	596	783
Other payables	6,883	5,785	504	395
Accruals and deferred income	6,318	6,741	778	899
	43,498	39,876	27,597	23,158

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.

26 OPERATING LEASES AND SITE AGREEMENTS

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Land and buildings				
Not later than one year	1,032	742	208	25
After one year but not more than five years	2,060	1,197	684	–
After five years	709	177	709	–
	3,801	2,116	1,601	25
Other				
Not later than one year	1,769	1,172	738	633
After one year but not more than five years	2,002	1,991	789	1,165
After five years	–	–	–	–
	3,771	3,163	1,527	1,798
Total				
Not later than one year	2,801	1,914	946	658
After one year but not more than five years	4,062	3,188	1,473	1,165
After five years	709	177	709	–
	7,572	5,279	3,128	1,823
Site owner agreements				
Not later than one year	10,383	5,263	1,635	1,399
After one year but not more than five years	21,196	7,743	1,158	1,381
After five years	3,067	2,538	58	–
	34,646	15,544	2,851	2,780

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 examining the extent to which commission arrangements meet the definition of a lease under IFRS 16.

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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amounts with third parties				
For supply of property, plant & equipment – mainly vending equipment	–	4,496	–	–
Amounts with Group companies				
Amount of vending equipment contracted by the Group's operating Companies with the Group's procurement companies	–	669	–	669

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 therefore consider that no contingent liability for litigation exists.

The Group has no contingent liabilities with regard to its interest in the associated undertakings (2017: none).

28 RELATED PARTIES

The following transactions were carried out with related parties:

Directors' compensation

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Salaries and other short-tem employee benefits excluding long-term incentives and pension contributions	682	1,647	–	1,647
Post-employment benefits	–	81	–	81
Share– based payments – charge	–	40	–	40
	682	1,768	–	1,768

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 52 to 64. 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 in respect of this was £nil (2017: £nil). No director who served during the year was a member of the Company's defined benefit pension scheme (2017: none).

Directors of the Company control 22.41% of the Ordinary shares of the Company. The interests of the directors are shown on page 61 of the Remuneration report.

Sales of goods and services, purchases and year end balances

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Sales of goods and services				
Associates	97	166	–	–
	97	166	–	–
Trade and other receivable balances				
Associates	1,612	1,015	–	–
	1,612	1,015	–	–

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 £1,612,000 (30 April 2017: £1,015,000).

The trade and other payable balances arise from normal trading.

The Company has the following transactions with related parties.

	2018 £'000	2017 £'000
Defined benefit pension scheme		
Administration costs of company defined benefit scheme	43	44

	2018 £'000	2017 £'000
Transactions with subsidiaries		
Sales	101	159
Purchases	7,887	9,103
Amounts owed by subsidiaries	26,164	33,272
Amounts owed to subsidiaries	21,462	17,496
Other items		
Interest due from subsidiaries	–	5
Interest paid to subsidiaries	–	69
Intercompany fee due from subsidiaries	–	7,832
Intercompany fees charged by subsidiaries	6,716	2,763
Property, plant and equipment		
– sold to subsidiaries	–	85
– acquired from subsidiaries	6,120	4,788
Intangible assets		
– sold to subsidiaries	–	5,037
Dividend income		
– from subsidiaries	16,497	40,084

	2018 £'000	2017 £'000
Transactions with Associates		
Dividends received from associates	304	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, and the effective percentage of equity shares held) at 30 April 2018 is 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
UK & Ireland				
Fowler UK.Com Limited	Operations	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Jolly Roger (Amusement Rides) Limited	Production	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
MgInvest Investments Limited	Investment	100%*	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Photo-Me (2016) Limited	Dormant	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Photo-Me (Retail) Limited	Operations	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Photo-Me Limited	Corporate	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Photo-Me Trustees Limited	Dormant	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Power-Me Limited	Dormant	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Xpand Investments Limited	Investment	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Inox Equip Limited	Operations	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
Tersus Equip Limited	Operations	100%	Unit 3B, Blenheim Road, Epsom, KT19 9AP	UK
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
Continental Europe				
Prontophot Austria G.m.b.H.	Operations	100%	Viktor Kaplan Strasse 9B, 2201 Gerasdorf bei Wien	Austria
Prontophot Belgium NV	Operations	100%	Boulevard Paepsem 8a, 1070 Anderlecht	Belgium
Photo-Me Czech Republic s.p.o.l. s.r.o.	Dormant	100%*	Husova 2117, 256 01 Benešov	Czech Republic
KIS SAS	Trading	100%*	7 Rue Jean-Pierre Timbaud, 38130 Echirolles	France
Photomaton SAS	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
SCI Immobilière du 21	Property	100%*	7 Rue Jean-Pierre Timbaud, 38130 Echirolles	France
Stilla Technologies SA (associated)	Biotechnology	50%	1, Mail du Professeur Georges Mathé, 94800 Villejuif	France
Fotofix-Schnellphotoautomaten G.m.b.H.	Operations	100%	Medienstrasse 4, 47807 Krefeld	Germany
Kis Italia Srl	Dormant	100%	Via Tiziano 32, 20145 Milano	Italy

Company name	Principal Activity	Group interest	Registered office address	Country of incorporation
Prontophot Holland B.V	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
Animate Fotofixe Limitada	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
Copyphot SA	Operations	100%*	Sonnentalstrasse 5, 8600 Dübendorf	Switzerland
Prontophot (Schweiz) AG	Operations	100%	Sonnentalstrasse 5, 8600 Dübendorf	Switzerland
Asia & ROW				
Photo Direct Pty Ltd (associated)	Sales & Servicing	26.95%	Unit 4, 109 Whitehorse Rd, Blackburn, Victoria 3130	Australia
Photo-Me (Shanghai) Co Limited	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
Photomaton Maroc SARL (associated)	Operations	50%	131, Bd d'Anfa, Casablanca, 20250	Morocco
Nippon Auto-Photo Kabushiki Kaisha	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 Mahardlekluang 1, Badmiri Rd, Lumpini Phathumwan, 10330 Bangkok	Thailand

* Investments in subsidiaries not owned directly by Photo-Me International plc.

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 is owned by other shareholders.

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:

SCI du Lotissement d'Echirolles	31 December
Photo-Me Beijing Co Limited	31 December
Photo-Me Shanghai Co Limited	31 December
KIS Technolgy Company Limited	31 March
Stilla Technologies SA	31 December
Photo Direct Pty Ltd	30 June

30 BUSINESS COMBINATIONS

Business Combinations

Current year

In July 2017, the Group acquired 100% of the voting rights and share capital of Inox Equip Limited (Inox) and Tersus Equip Limited (Tersus), both UK based business to business laundry operations which provide bespoke professional design, procurement and installation of laundry and catering equipment for blue chip companies and institutions such as care homes and hospitals. This acquisition was in line with the Group's strategy to expand its business to business laundry capabilities.

Results of these companies have been consolidated from 1 August 2017.

The table below shows the provisional fair value of net assets acquired and the consideration paid and payable.

	£'000
Intangible assets	28
Property, plant and equipment	28
Inventory	404
Trade and other receivables	1,158
Cash and cash equivalents	155
Total current assets	1,717
Total assets	1,745
Deferred tax liabilities	(2)
Trade and other payables	(1,249)
Current tax	(45)
Total liabilities	(1,296)
Total identifiable net assets	449
Total net assets excluding net cash and cash equivalents	294
Goodwill	1,554
Goodwill and total identifiable assets	2,003

Cost of investment	2,003
Contingent consideration	(450)
Cash consideration	1,553
Net cash acquired with subsidiaries	(155)
Net cash consideration per Group statement of cash flows	1,398

Contingent consideration

Up to a further £450,000 is payable to the vendors contingent on earnings performance in the 12 months ending 31 July 2018 and 31 July 2019. The Directors consider it likely that the performance conditions will be met and have therefore recognised the maximum amounts payable.

Goodwill

The goodwill of £1,554,000 arising from the acquisition is attributable to the value of the assembled workforce and the ability of the senior staff to generate future business.

Acquired receivables

The provisional fair value of receivables acquired was £1,158,000. The gross contractual amounts receivable were £1,233,000 and at the acquisition date, £75,000 of contractual cashflows are not expected to be received.

The following amounts have been included in the Group's post acquisition results in respect of the acquired businesses:

	£'000
Revenue	5,638
Profit before tax	817

If the acquisition had been completed on 1 May 2017, the following results would have been included in the Group's results in respect of the acquired businesses:

	£'000
Revenue	7,517
Profit before tax	1,089

31 EVENTS AFTER BALANCE SHEET DATE

On 23 May 2018, the Group acquired the entire issued share capital of La Wash Group, consisting of Global Network Investment SL and Smart Real Estate & Refurbishment SL, for a consideration of €4.75 million, obtaining control of the group on that date. The La Wash Group is a leader in the Spanish business-to-business laundry services market based in Barcelona.

The acquisition was funded from the Group's cash resources.

Due to the proximity of the transaction to the reporting date, the purchase price allocation accounting has not been finalised. Provisional details of the acquisition accounting will be provided in the interim report for the period ending 31 October 2018.

FIVE YEAR SUMMARY

Income statement (unaudited)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Revenue					
UK & Ireland	**63,707**	53,639	45,783	44,652	44,927
Continental Europe	**121,134**	111,670	93,712	94,345	102,932
Asia	**44,973**	49,344	44,499	38,205	38,739
Total revenue	**229,814**	214,653	183,994	177,202	186,598
Operating profit after special items before finance costs	**46,106**	46,807	39,734	38,370	30,266
Net finance (cost)/income & Other gains	**4,069**	1,232	372	126	(173)
Profit before taxation	**50,175**	48,039	40,106	38,496	30,093
Taxation	**(9,889)**	(12,901)	(10,907)	(10,452)	(8,514)
Profit after taxation	**40,286**	35,138	29,199	28,044	21,579
Attributable to:					
– equity owners of the Parent	**40,134**	34,991	29,066	27,900	21,422
– Non-controlling interests	**152**	147	133	144	157
	40,286	35,138	29,199	28,044	21,579
Earnings per share – Basic	**10.64p**	9.30p	7.77p	7.49p	5.77p
Earnings per share – Diluted	**10.62p**	9.27p	7.72p	7.43p	5.70p
Dividends – interim	**3.71p**	3.09p	2.575p	2.34p	1.80p
Dividends – final	**4.73p**	3.94p	3.285p	2.54p	1.95p
Dividends – special	**–**	–	2.815p	–	2.00p
Total dividends	**8.04p**	7.03p	8.675p	4.88p	5.75p

* Including discontinued operations.

Statement of financial position (unaudited)

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Intangible assets	27,395	25,263	20,312	16,687	15,687
Property,plant and equipment	93,232	75,651	56,723	48,721	47,045
Other non-current investments	1,583	2,095	1,713	848	620
Other non-current assets	10,047	8,136	8,092	7,486	8,474
Current assets	106,652	85,753	103,382	82,474	86,680
Assets held for sale	–	96	96	–	705
Total assets	238,909	196,994	190,318	156,216	159,211
Share capital	1,887	1,882	1,877	1,866	1,859
Share premium	10,366	8,999	8,156	7,131	6,521
Reserves	131,004	117,080	111,608	94,510	94,734
Equity of the Parent	143,257	127,961	121,641	103,507	103,114
Non-controlling interests	1,553	1,341	1,109	904	1,119
Total equity	144,810	129,302	122,750	104,411	104,233
Total non-current liabilities	35,959	19,045	17,656	7,549	8,713
Total current liabilities	58,140	48,647	49,912	44,256	46,265
Total equity and liabilities	238,909	196,994	190,318	156,216	159,211
Net cash	26,688	39,212	62,415	60,669	63,111

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

	2018	2017	2016	2015	2014
Capital expenditure – photobooth & vending machines £'000	35,588	33,787	19,402	18,287	17,327
Capital expenditure – research & development £'000	2,510	2,390	2,935	2,560	1,125
EBITDA £'000	70,981	69,034	56,530	55,087	47,642
EBITDA % of revenue	30.9	32.2	30.7	31.1	25.5
Number of vending sites	47,000	48,000	45,500	44,600	43,850

COMPANY INFORMATION & ADVISORS

Registered in England and Wales
Number 735438

Registered Office
Unit 3B
Blenheim Road
KT19 9AP

Tel: +44 (0)1372 453399
Fax: +44 (0)1372 459064
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
25 Charterhouse Square
London
EC1M 6AE

Registrars
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

SHAREHOLDER INFORMATION

Analysis of registered shareholding at 25 June 2018

	Number of holdings	Number of Ordinary shares	% of issued Ordinary share capital
Category:			
Individuals	1,860	7,275,709	1.92
Nominees	398	345,254,754	91.46
Other corporate bodies	47	24,969,174	6.62
	2,305	377,499,637	100.00
Size of holding:			
1 – 1,000	1,123	549,548	0.15
1,001 – 10,000	817	2,524,291	0.67
10,001 – 100,000	213	6,984,281	1.85
100,001 – 500,000	89	22,123,604	5.86
500,001 – 1,000,000	25	17,517,075	4.64
1,000,001 and above	38	327,800,838	86.83
	2,305	377,499,637	100.00

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:

		Ordinary shares of 50p each
31 March 1982	100	(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

Transfer office and registration services

Link 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:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

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

Link Asset Services also offer a range of shareholder information online at www.signalshares.com

The Register of directors' interests is maintained at the Registered Office in Epsom, details of which are shown below.

Copies of the Annual Report should be requested from:

Photo-Me International plc
Unit 3B Blenheim Road
Epsom
Surrey KT19 9AP

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

Financial calendar

Annual General Meeting	24 October 2018
Half year results (to 31 October 2018)	Announcement in December 2018
Full year results (to 30 April 2019)	Announcement in July 2019
Dividend	
Final (year to 30 April 2018) – ex dividend date	18 October 2018
Final (year to 30 April 2018) – record date	19 October 2018
Final (year to 30 April 2018) – payment date	9 November 2018

invicomm
Designed and produced by Invicomm
www.invicomm.com +44(0)207 205 2586

Photo-Me

PHOTO-ME INTERNATIONAL PLC
Unit 3B Blenheim Road
Epsom
KT19 9AP

T: +44(0)1372 453399
F: +44(0)1372 451044
W: www.photo-me.com