

Thursday 9th December 2010

PHOTO-ME INTERNATIONAL PLC - INTERIM RESULTS ANNOUNCEMENT

Photo-Me (PHTM.L), the instant service equipment group, announces its results for the six months to 31 October 2010.

Results highlights:

	2010	2009	Change
Turnover	£118.4m	£117.7m	+0.6%
Adjusted Pre-tax Profit †*	£14.0m	£11.2m	+25.6%
Pre-tax Profit *	£14.0m	£9.0m	+55.7%
EPS(diluted, continuing operations)	2.32p	1.37p	+69.3%
Net Cash ‡	£29.4m	** £8.1m	+£21.3m
Dividend	1.00p	0.25p	+300%

† Before special items (previously described as “exceptional items”)

*On continuing operations

‡ As defined in note 10 to the accounts

**As at 30 April 2010

Foreign exchange rate movements had no material effect on the half year's reported revenue and profit.

- Turnover up 0.6% at £118.4million
- Adjusted Pre-tax Profit up 25.6%
- Reported Pre-tax Profit up 55.7%
- First material orders for Pocketbook Makers from Mitsubishi
- First material order for Photobook Builder from a major OEM
- Rental agreement on building in Grenoble with EDF renewed producing c.£10 million income over 9 years
- Net Cash position improved by £21.3million leaving net cash of £29.4million
- Interim dividend increased by 300%

John Lewis, Non-Executive Chairman, said; “The last financial year saw a considerable improvement in our performance and this trend has continued into the first half of this financial year. A key measure of any company’s performance is its ability to generate cash and Photo-Me has continued to do exactly that. The net cash position at the end of October was £29.4million, an increase of more than £21million over the six month period and as a result, we are declaring an interim dividend of 1.00p per share, a 300% increase on the same period last year.

“It is pleasing to report the first substantial orders from Mitsubishi for the Group’s Pocketbook Makers, and from another OEM for the Photobook Builder. Both products we believe have strong potential going forward. Overall, the new product pipeline looks robust in all areas of the business.

“The overall trading background has not changed significantly in the first half but despite this and some limited disruption during the French strikes in September/October the Group has prospered. Traditionally, the first half is the stronger for Photo-Me and we would expect this to be the case again. Overall, the Board remains confident of strong progress over the year as a whole and this is reflected in the increased interim dividend.”

Enquiries:

Photo-Me International 01372 453 399
Serge Crasnianski or Françoise Coutaz-Replan

Media

Madano Partnership 020 7593 4000
Charles Reynolds /Sarah Mylroie

Investors:

IR Focus 020 7593 4015
Neville Harris

CHAIRMAN'S STATEMENT

Results

Despite the fact that turnover was little changed in the period, the operational improvements made to the business over the last 18 months contributed to a 25.6% increase in adjusted pre-tax profit before special items (in previous years described as “exceptional items”) and a 55.7% increase in pre-tax profit after special items.

This was led by our Operations business which again produced a very creditable performance. Indeed, the French, UK and Asian businesses all produced strong increases in profitability.

Strategy

The strategy of the business over the last 12 months has continued to focus on the development of new complementary products that build upon the strength of the ID photobooth business and offer diversified revenue and profit streams for the future. The strategy of cost-cutting and refocusing has paid off, but there is a natural limit to what can be achieved. In the medium-term, the Group needs to drive its top line and thus considerable effort has been expended on the further development of products such as a range of Photobook Makers which we believe have a strong market potential.

Another new product is the “Starbooth”, designed by Philippe Starck, which we will begin to roll out from early 2011. This designer photobooth will freshen the portfolio and will be used to help us improve our commercial terms of operations as well as expand our already substantial footprint.

Overall, the new product pipeline looks robust in all areas of the business.

Dividends

As a result of the Group’s strong financial performance, with a continued high rate of conversion of profits into cash, the Board is recommending an interim dividend of 1.00 pence, an increase of 300% over the interim dividend of 0.25pence paid last year.

The interim dividend will be paid on 6 May 2011 to shareholders on the register on 25 March 2011, with an ex-dividend date of 23 March 2011.

Outlook

The Photo-Me business has benefited from a series of operational restructurings over the last 18 months which have helped to improve the ongoing profitability and cash flow of the business. A further boost was received on 6 July 2010 when a rental agreement on a Group building in Grenoble was renewed with EDF (Electricite de France) for an income of approximately £10 million over nine years.

The first half of the year has seen the first substantial orders come in for our new Photo/Pocketbook machines which we believe have a strong potential to deliver top-line growth in the medium-term. These are innovative products, with strong elements of patent protection and, as a result of a substantial order, we are delighted to have received the implicit endorsement of a company like Mitsubishi for our technology.

As announced on 7 December, a Memorandum of Understanding was signed with a major OEM for the delivery of 1,000 Photobook Builders by July 2011. These will be the first deliveries against the OEM’s target of 5,000 machines.

The overall trading background has not changed significantly in the first half but despite this and some limited disruption during the French strikes in September/October the Group has prospered. Traditionally, the first half is the stronger for Photo-Me and we would expect this to be the case again. Overall, the Board remains confident of strong progress over the year as a whole and this is reflected in the increased interim dividend.

**John Lewis,
Non-Executive Chairman**

CHIEF EXECUTIVE'S BUSINESS AND FINANCIAL REVIEW

BUSINESS REVIEW

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

Operations - which comprises the operation of unattended vending equipment, primarily photo booths, digital photo kiosks, photobook makers and amusement machines.

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

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

Six months to 31 October	Revenue		Operating profit	
	2010 £m	2009 £m	2010 £m	2009 £m
Operations	97.1	93.9	15.4	11.7
Sales & Servicing	21.3	23.8	0.6	2.2
Group overheads			(1.8)	(1.6)
	118.4	117.7	14.2	12.3
Continuing operations only and before special items				

Foreign exchange rate movements had no material effect on the half year's reported revenue and operating profit.

Whilst total turnover only slightly increased (0.6%), both operating profit and profit before tax significantly improved, +15.5% for the operating profit, and +25.6% for the adjusted PBT (before special items).

As there were no special items this year, the total pre-tax profit was higher by 55.7%, at £14.0million (2009:£9.0million), and diluted earnings per share on continuing operations were up 69.3%, at 2.32pence (2009: 1.37p).

Our larger Operations division continued to improve its overall performance and profitability was sharply higher in this half year. This offset a weaker half year from our Sales and Servicing division which is in the preparation phase ahead of the future delivery of the Pocketbook Maker orders received in the first half.

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

Geographical analysis of revenue and profit (by origin)

Six months to 31 October	Revenue		Operating profit	
	2010 £m	2009 £m	2010 £m	2009 £m
Continental Europe	66.5	68.8	10.3	9.9
UK & Republic of Ireland	30.4	30.5	2.2	1.2
Asia	21.5	18.4	1.7	1.2
	118.4	117.7	14.2	12.3
Continuing operations only and before special items				

Continental Europe, which includes the great majority of Sales & Servicing revenue, once again comprised the largest element of reported Group revenue - 56% - but contributed 73% of Group operating profit. The majority of Group overheads are charged against the UK & Republic of Ireland.

OPERATIONS

Six months to 31 October	Revenue		Operating profit	
	2010 £m	2009 £m	2010 £m	2009 £m
	97.1	93.9	15.4	11.7

Operations contributed 82% (2009: 80%) of Group revenue. Divisional revenue rose by 3.4% but operating profit rose by 31.9%, with improved profitability in all three geographic areas.

At the half year end, the total number of vending sites worldwide was 44,200 (2009: 42,900) of which photobooshs represent around half. This extensive network of sites, with related site owner contracts and relationships, supplemented by an established field service and cash collection infrastructure, represents one of Photo-Me's greatest strengths.

Photo-Me's operations business is global, trading in 15 industrialised countries. However, 86% of sites are located in three territories - the UK & Ireland, France and Japan. By area, Continental Europe accounted for 18,300 (2009: 17,600) sites; the UK and Ireland for 17,500 (2009: 17,500); and Asia for 8,400 (2009: 7,800). All areas grew slightly the number of sites and this remains a priority for the Group. Vending units provide good cash flow, supporting corporate developments including investments in the next generation of products.

Whilst revenue from Operations reflected only small growth, increased management focus led to sharply increased profitability with UK and Asian operating profit both up by over 50% and Europe up by 20%, due to a strong French performance.

Photobooshs

Photobooshs are an efficient and competitively-priced provider of ID and fun photographs and represent a fairly mature cash generative business. Over the half year the number of sited photobooshs increased by 700 to almost 22,150 sites internationally.

The Group intends to improve the returns from these substantial core photobooth operations through an active management programme and the introduction of new products.

As we have previously stated, the intention is to increase the number of sites we operate in, potentially increasing the site coverage by around 10 % over the next 12 months. In addition, we intend to rapidly expand the number of units operating in China, where the base is currently c.250. The turnover per booth in China is increasing substantially and our attention is focused on expanding our Shanghai base in the short-term.

We are continuing to try to optimise all our site locations and improve them wherever possible. We are introducing new marketing features to many of our booths, including augmented reality graphics to enhance the appearance of the units. We are also undertaking development work on 3D photobooshs and we are continuing to improve the commercial performance of the installed base of units by renegotiating site owner agreements wherever possible. The introduction of the new "Starbooth" photobooth (designed by Philippe Starck) is part of this process and these will begin to be rolled out from early 2011, initially in France.

Digital printing kiosks

Digital printing kiosks are very much focused in Continental Europe, particularly France, with a smaller presence in the UK. The number of vending sites for digital kiosks is around 5,000.

The market in France for digital printing kiosks has continued to be positive and we are continuing to broaden our product offering to maintain progress in this area of our operations.

Amusement and business service equipment

This activity saw a small reduction in revenues in the half year. We are working to improve this area of the business with new product offerings such as a new children's simulator ride, which generates a higher than average level of revenue. However, this activity represents less than 10% of the revenue of operations.

SALES & SERVICING

	Revenue		Operating profit	
	2010	2009	2010	2009
	£m	£m	£m	£m
Six months to 31 October	21.3	23.8	0.6	2.2
Continuing operations only and before special items				

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

Revenue decreased by 10.7%, while operating profit declined from £2.2million to £0.6million. This division is in the preparation phase ahead of the future delivery of the Pocketbook Maker orders received in the first half.

Photobook and Pocketbook Maker

Last year, Photo-Me started volume production of the Photobook Maker, the first automatic on-site kiosk able to produce a photobook in minutes. This was aimed at professional photographers, where it has been well received,– and at a number of selected retail outlets around the world. The total installed base to date comprises around 1,500 units.

In the half year, further development of the Photobook suite of products has taken place and Photo-Me now has a substantial range of Photobook Makers offering different formats and printing technologies.

Photo-Me has had considerable interest from a number of significant and relevant OEMs and to date has received orders from two of these OEMs, including Mitsubishi, for a total of 1,300 Pocketbook machines which will be delivered over the coming months.

Further success of this product range has been evidenced by a Memorandum of Understanding which has been signed recently with a major OEM for the delivery of 1,000 Photobook Builder by July 2011. These will be the first deliveries against a common target of 5,000 machines.

The OEM model is considered to be the optimum method for maximizing the sales potential of the product going forward. In addition it will allow Photo-Me to source the units (when required) from low-cost manufacturing areas, allowing KIS, the Group's French Sales & Servicing subsidiary, to focus its resources on final assembly, customization and quality control.

STATEMENT OF FINANCIAL POSITION

Shareholders' equity at 31 October 2010 totalled £86.0million (30 April 2010: £77.6million), equivalent to 23.8pence (30 April 2010: 21.5pence) per share.

The Group's net financial position continued to improve; reporting a net cash balance of £29.4million at the end of the period (30 April 2010: £8.1million).

RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the continuing business activities of the Group, in the opinion of the Board, are:

- the possibility of reduced demand for ID photographs if some governments introduce a requirement for on-site photography in connection with the centralisation of biometric data in support of passport and other ID applications, reducing Operations revenue;
- the impact on costs of consumables and equipment of a sustained appreciation of the Japanese Yen, in which currency a significant amount of the Group's supplies is denominated, affecting both Operations and Sales & Servicing;
- increased competition from major multi-national companies;
- volatility in foreign exchange rates,
- the risks associated with the general economic crisis in some European countries.

Having identified these specific risks and uncertainties, the Board manages them, as much as possible, through the adoption of relevant policies and mitigation plans.

Serge Crasnianski
Chief Executive Officer

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 October 2010

	Notes	6 months to 31 October 2010 £'000	6 months to 31 October 2009 £'000	Year to 30 April 2010 £'000
Continuing operations				
Revenue	3	118,365	117,694	222,507
Cost of sales		(94,408)	(98,516)	(193,955)
Gross profit		23,957	19,178	28,552
Other operating income		582	715	1,574
Administrative expenses		(10,411)	(9,786)	(19,581)
Share of post-tax profits/(losses) from associates		25	(6)	(9)
Operating profit	3	14,153	10,101	10,536
Finance revenue		243	55	470
Finance cost		(378)	(1,155)	(1,752)
Profit before tax	3	14,018	9,001	9,254
Analysed between:				
Adjusted profit before tax		14,018	11,157	14,031
Special items:				
- Impairment charges	4	-	-	(1,214)
- Restructuring and other items	4	-	(2,156)	(3,308)
- Finance cost	4	-	-	(255)
Profit before tax		14,018	9,001	9,254
Total tax charge	6	(5,490)	(3,952)	(2,453)
Profit for the period – from continuing operations		8,528	5,049	6,801
Profit for the period – from discontinued operations	5	-	3,027	3,027
Profit for the period	3	8,528	8,076	9,828
Other comprehensive income				
Exchange differences arising on translation of foreign operations		3,329	(394)	(836)
Translation reserve taken to income statement on disposal		(13)	(3,042)	(2,992)
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		-	-	(581)
Deferred tax on actuarial movements		(5)	-	181
Other comprehensive income/(expense) (net of tax)		3,311	(3,436)	(4,228)
Total comprehensive income for the period		11,839	4,640	5,600
Profit for the period attributable to:				
Owners of the Parent		8,426	7,988	9,722
Non-controlling interests		102	88	106
		8,528	8,076	9,828
Total comprehensive income attributable to:				
Owners of the Parent		11,735	4,547	5,512
Non-controlling interests		104	93	88
		11,839	4,640	5,600
Earnings per share (total)				
Basic	8	2.34p	2.22p	2.70p
Diluted	8	2.32p	2.21p	2.69p
Earnings per share (continuing operations)				
Basic	8	2.34p	1.38p	1.86p
Diluted	8	2.32p	1.37p	1.85p

The accompanying notes form an integral part of these condensed consolidated financial statements.

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 October 2010

	Notes	31 October 2010 £'000	31 October 2009 £'000	30 April 2010 £'000
Assets				
Non-current assets				
Goodwill	9	10,039	10,108	10,038
Other intangible assets	9	10,323	9,271	9,735
Property, plant and equipment	9	56,256	63,075	58,997
Investment property	9	1,952	2,560	2,222
Investments in associates		594	570	583
Other financial assets – held to maturity	10	583	543	556
– available-for-sale		159	259	155
Deferred tax assets		714	309	1,034
Trade and other receivables		1,451	1,489	1,696
		82,071	88,184	85,016
Current assets				
Inventories		18,420	24,884	22,747
Trade and other receivables		16,942	18,528	19,295
Other financial assets – held to maturity		-	14	14
– available-for-sale		25	55	38
Current tax		58	19	408
Cash and cash equivalents	10	56,182	40,669	41,916
		91,627	84,169	84,418
Total assets		173,698	172,353	169,434
Equity				
Share capital		1,844	2,039	2,039
Share premium		5,713	5,491	5,492
Treasury shares		(5,802)	(5,802)	(5,802)
Other reserves		21,350	18,226	17,835
Retained earnings		62,888	57,506	57,996
Equity attributable to owners of the Parent		85,993	77,460	77,560
Non-controlling interests		871	797	792
Total equity		86,864	78,257	78,352
Liabilities				
Non-current liabilities				
Financial liabilities	10	8,562	28,473	17,575
Post-employment benefit obligations		4,004	4,374	3,659
Provisions		77	13	72
Deferred tax liabilities		3,618	3,607	3,289
Trade and other payables		813	5	703
		17,074	36,472	25,298
Current liabilities				
Financial liabilities	10	18,769	10,183	16,834
Derivative financial liability		122	260	122
Provisions		5,265	4,023	5,119
Current tax		6,940	5,930	2,425
Trade and other payables		38,664	37,228	41,284
		69,760	57,624	65,784
Total equity and liabilities		173,698	172,353	169,434

The accompanying notes form an integral part of these condensed consolidated financial statements.

GROUP CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 October 2010

	Notes	6 months to 31 October 2010 £'000	6 months to 31 October 2009 £'000	Year to 30 April 2010 £'000
Cash flows from operating activities				
Profit before tax		14,018	9,001	9,254
Finance cost		378	1,155	1,752
Finance revenue		(243)	(55)	(470)
Operating profit from continuing operations		14,153	10,101	10,536
Operating profit from discontinued operations	5	-	7	7
Share of post-tax (profits)/losses from associates		(25)	6	9
Amortisation and depreciation		14,372	15,006	29,213
Impairment		-	-	1,214
(Profit)/loss on sale of property, plant and equipment		(73)	333	134
Exchange differences		887	372	(40)
Other items		9	(109)	(337)
Changes in working capital		2,713	5,175	7,148
Cash generated from operations		32,036	30,891	47,884
Interest paid		(363)	(582)	(884)
Taxation (paid)/received		(323)	2,667	660
Net cash generated from operating activities		31,350	32,976	47,660
Cash flows from investing activities				
Cash outflow from disposal of subsidiaries		(76)	(2,383)	(2,383)
Investment in intangible assets		(1,938)	(1,465)	(3,367)
Proceeds from sale of intangible assets		-	60	151
Purchase of property, plant and equipment		(8,775)	(2,865)	(11,852)
Proceeds from sale of property, plant and equipment		543	323	1,253
Proceeds from sale of available-for-sale investments		-	-	56
Interest received		31	55	46
Net cash utilised in investing activities		(10,215)	(6,275)	(16,096)
Cash flows from financing activities				
Issue of Ordinary shares to equity shareholders		227	57	58
Repayment of capital element of finance leases		(247)	(185)	(381)
Proceeds from borrowings		-	246	260
Repayment of borrowings		(4,807)	(4,614)	(10,355)
Decrease in other financial assets		14	-	-
Dividends paid to owners of the Parent		(900)	-	-
Dividends paid to non-controlling interests		(25)	(48)	(48)
Net cash utilised in financing activities		(5,738)	(4,544)	(10,466)
Net increase in cash and cash equivalents		15,397	22,157	21,098
Cash and cash equivalents at beginning of the period		39,796	18,616	18,616
Exchange gain/(loss) on cash and cash equivalents		989	(167)	82
Cash and cash equivalents at end of the period		56,182	40,606	39,796

The accompanying notes form an integral part of these condensed consolidated financial statements.

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 October 2010

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
At 1 May 2009	2,037	5,436	(5,802)	2,528	19,416	49,238	72,853	781	73,634
Profit for period	-	-	-	-	-	7,988	7,988	88	8,076
Other comprehensive income									
Exchange differences	-	-	-	-	(399)	-	(399)	5	(394)
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(3,042)	-	(3,042)	-	(3,042)
Transfers	-	-	-	(277)	-	277	-	-	-
Total other comprehensive (expense)/income	-	-	-	(277)	(3,441)	277	(3,441)	5	(3,436)
Total comprehensive (expense)/income for the year	-	-	-	(277)	(3,441)	8,265	4,547	93	4,640
Transactions with owners of the Parent									
Shares issued in period	2	55	-	-	-	-	57	-	57
Share options	-	-	-	-	-	3	3	-	3
Dividends	-	-	-	-	-	-	-	(48)	(48)
Sale of subsidiary	-	-	-	-	-	-	-	(29)	(29)
Total transactions with owners	2	55	-	-	-	3	60	(77)	(17)
At 31 October 2009	2,039	5,491	(5,802)	2,251	15,975	57,506	77,460	797	78,257
At 1 May 2009	2,037	5,436	(5,802)	2,528	19,416	49,238	72,853	781	73,634
Profit for year	-	-	-	-	-	9,722	9,722	106	9,828
Other comprehensive income									
Exchange differences	-	-	-	-	(818)	-	(818)	(18)	(836)
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(2,992)	-	(2,992)	-	(2,992)
Actuarial movement in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	-	(581)	(581)	-	(581)
Deferred tax on actuarial movements	-	-	-	-	-	181	181	-	181
Transfers	-	-	-	(299)	-	299	-	-	-
Total other comprehensive expense	-	-	-	(299)	(3,810)	(101)	(4,210)	(18)	(4,228)
Total comprehensive (expense)/income for the year	-	-	-	(299)	(3,810)	9,621	5,512	88	5,600
Transactions with owners of the Parent									
Shares issued in the period	2	56	-	-	-	-	58	-	58
Share options	-	-	-	-	-	37	37	-	37
Dividends	-	-	-	-	-	(900)	(900)	(48)	(948)
Sale of subsidiary	-	-	-	-	-	-	-	(29)	(29)
Total transactions with owners	2	56	-	-	-	(863)	(805)	(77)	(882)
At 30 April 2010	2,039	5,492	(5,802)	2,229	15,606	57,996	77,560	792	78,352

The accompanying notes form an integral part of these condensed consolidated financial statements.

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY -continued
for the six months ended 31 October 2010

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
At 1 May 2010	2,039	5,492	(5,802)	2,229	15,606	57,996	77,560	792	78,352
Profit for period	-	-	-	-	-	8,426	8,426	102	8,528
Other comprehensive income									
Exchange differences	-	-	-	-	3,327	-	3,327	2	3,329
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(13)	-	(13)	-	(13)
Deferred tax on actuarial movements	-	-	-	-	-	(5)	(5)	-	(5)
Total other comprehensive income/(expense)	-	-	-	-	3,314	(5)	3,309	2	3,311
Total comprehensive income for the year	-	-	-	-	3,314	8,421	11,735	104	11,839
Transactions with owners of the Parent									
Shares issued in period	6	221	-	-	-	-	227	-	227
Share options	-	-	-	-	-	83	83	-	83
Redemption of Deferred shares	(201)	-	-	201	-	-	-	-	-
Dividends	-	-	-	-	-	(3,612)	(3,612)	(25)	(3,637)
Total transactions with owners	(195)	221	-	201	-	(3,529)	(3,302)	(25)	(3,327)
At 31 October 2010	1,844	5,713	(5,802)	2,430	18,920	62,888	85,993	871	86,864

On 31 August 2010 the Company redeemed all of the 8,040,000 issued Deferred shares of 0.25p each for a total consideration of 1p.

During the period 1,259,768 new Ordinary shares of 0.5p each were issued on the exercise of share options.

The accompanying notes form an integral part of these condensed consolidated financial statements.

NOTES TO THE INTERIM REPORT

1 Corporate information

The condensed consolidated interim financial statements of Photo-Me International plc (the “Company”) for the six months ended 31 October 2010 (“the Interim Report”) were approved and authorised for issue by the Board of Directors on 8 December 2010.

The Company is a public limited company, incorporated and domiciled in England, whose shares are quoted on the London Stock Exchange, under symbol PHTM.

Photo-Me’s principal activities are 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 printing kiosks, amusement machines and business service equipment. Sales and servicing comprises the manufacture, sale and after-sale servicing of both the above-mentioned equipment and a range of photo-processing equipment, including photobook makers and minilabs. The principal operations of the Group are in the United Kingdom and Ireland, Continental Europe and Asia.

2 Basis of preparation and accounting policies

The condensed consolidated interim financial statements for the six months ended 31 October 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority. The condensed consolidated interim financial statements comprise the unaudited financial information for the six months to 31 October 2010 and 31 October 2009, together with the audited results to 30 April 2010. They do not include all of the information and disclosures required for full annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 30 April 2010. The condensed financial statements do not constitute statutory accounts within the meaning of section 434 of the UK Companies Act 2006.

The Interim Report is unaudited but has been reviewed by the auditors and their report to the Company is included in the Interim Report. The comparative figures for the financial year ended 30 April 2010 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

Accounting policies

The accounting policies applied by the Group in this Interim Report are the same as those applied in the Group’s financial statements for the year ended 30 April 2010, except as indicated below.

New standards adopted in the period:

There are a number of revised standards and interpretations not all of which are applicable to the Group, which have been issued and are effective for the 2011 and future reporting periods. To date these revisions have not had a material impact for the Group.

The preparation of the condensed consolidated financial information requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial information. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management’s best judgement at the date of the financial statements. In future, actual experience may deviate from these estimates and assumptions, which could affect the financial statements as the original estimates and assumptions are modified, as appropriate, in the period in which the circumstances change.

Use of non-GAAP profit measures

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

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

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

Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group are set out in the "Risks and Uncertainties" section of the Interim Management Report, contained within this Interim Report. These should be read in conjunction with the cautionary statement regarding forward looking statements.

Going Concern

The Annual Report for the year-ended 30 April 2010 and the Interim Report for the six months ended 31 October 2010 have been prepared on a going concern basis. In reaching this conclusion, management has reviewed budgets, cash flow forecasts, updated forecasts and current trading results and financing arrangements. The Annual Report for 2010 contained a full description of the activities of the Group, its financial position, cash flows, liquidity position, facilities and borrowing position, together with the main risk factors likely to impact on the Group. This Interim Report for the six months to 31 October 2010 provides updated information regarding business activities, financial position, cash flows and liquidity position.

3 Segmental analysis

IFRS8 requires operating segments to be identified based on internal information presented to the Chief Operating Decision Maker in order to allocate resources to the segments and monitor performance. The Group has identified two segments as set out below.

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

(ii) Sales & Servicing comprises the development, manufacture, sale and after-sale service of this vending equipment and a range of photo-processing equipment.

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

In accordance with IFRS8, 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.

Seasonality of operations

Historically, the Group's Operations activities have shown greater revenue and profits in the first half of the financial year than the second half. For the current year ending 30 April 2011 it is expected that this pattern will continue. Regarding Sales & Servicing, anticipated sales of Photobook products will benefit the second half of the current year, to a greater extent than normal, in terms of revenue and profits.

3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
6 Months to 31 October 2010			
Total revenue	97,068	32,946	130,014
Inter-segment revenue	-	(11,649)	(11,649)
Revenue from external customers	97,068	21,297	118,365
EBITDA	27,814	2,214	30,028
Depreciation and amortisation	(12,433)	(1,608)	(14,041)
Adjusted operating profit excluding associates	15,381	606	15,987
Share of post-tax profit from associates			25
Corporate costs excluding depreciation and amortisation			(1,528)
Corporate depreciation and amortisation			(331)
Adjusted operating profit			14,153
Special operating items			-
Operating profit			14,153
Finance costs – net			(135)
Profit before tax			14,018
Tax			(5,490)
Profit for the period – from continuing operations			8,528
Profit for the period – from discontinued operations			-
Profit for period			8,528
Capital expenditure	8,878	1,880	10,758
Corporate capital expenditure			6
Total capital expenditure			10,764

3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
6 months to 31 October 2009			
Total revenue	93,847	32,609	126,456
Inter-segment revenue	–	(8,762)	(8,762)
Revenue from external customers	93,847	23,847	117,694
EBITDA	25,019	3,397	28,416
Depreciation and amortisation	(13,361)	(1,217)	(14,578)
Adjusted operating profit excluding associates	11,658	2,180	13,838
Share of post-tax loss from associates			(6)
Corporate costs excluding depreciation and amortisation			(1,182)
Corporate depreciation and amortisation			(393)
Adjusted operating profit			12,257
Special operating items			(2,156)
Operating profit			10,101
Finance costs – net			(1,100)
Profit before tax			9,001
Tax			(3,952)
Profit for the period – from continuing operations			5,049
Profit for the period – from discontinued operations			3,027
Profit for period			8,076
Capital expenditure	3,075	1,693	4,768
Corporate capital expenditure			69
Total capital expenditure			4,837

3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
Year to 30 April 2010			
Total revenue	172,456	70,670	243,126
Inter-segment revenue	-	(20,619)	(20,619)
Revenue from external customers	172,456	50,051	222,507
EBITDA	42,213	5,522	47,735
Depreciation and amortisation	(25,713)	(2,732)	(28,445)
Adjusted operating profit excluding associates	16,500	2,790	19,290
Share of post-tax loss from associates			(9)
Corporate costs excluding depreciation and amortisation			(3,490)
Corporate depreciation and amortisation			(733)
Adjusted operating profit			15,058
Special operating items			(4,522)
Operating profit			10,536
Finance costs – net			(1,282)
Profit before tax			9,254
Tax			(2,453)
Profit for the year – from continuing operations			6,801
Profit for the year – from discontinued operations			3,027
Profit for year			9,828
Capital expenditure	12,152	3,770	15,922
Corporate capital expenditure			122
Total capital expenditure			16,044

4 Special items and adjusted profit

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

	6 months to 31 October 2010 £'000	6 months to 31 October 2009 £'000	Year to 30 April 2010 £'000
Adjusted profit before tax from continuing operations	14,018	11,157	14,031
Special items			
Cost of sales			
Impairment of inventory	-	-	(1,214)
Employment termination and other restructuring costs	-	(2,156)	(2,533)
	-	(2,156)	(3,747)
Administrative expenses			
Employment termination and other restructuring costs	-	-	(775)
	-	-	(775)
Finance costs			
	-	-	(255)
Total special items	-	(2,156)	(4,777)
Profit before tax after special items	14,018	9,001	9,254

6 months ended 31 October 2010

There were no special items arising in this period

6 Months ended 31 October 2009

Special items included £2,156,000 restructuring costs, mainly arising in the Sales & Servicing division. There was a tax credit of £742,000 associated with these special items.

Year ended 30 April 2010

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

5 Discontinued operations

There were no discontinued operations for the six months ended 31 October 2010. The discontinued operations for the six months to 31 October 2009 and the year to 30 April 2010 relate to the Group's wholesale lab business, which was disposed of on 31 July 2009.

	6 months to 31 October 2010 £'000	6 months to 31 October 2009 £'000	Year to 30 April 2010 £'000
Revenue	-	1,759	1,759
Operating profit	-	7	7
Net finance expense	-	(1)	(1)
Profit before tax	-	6	6
Tax charge	-	(31)	(31)
Loss from discontinued operations	-	(25)	(25)
Profit on sale (no tax charge)	-	3,052	3,052
Profit from discontinued operations	-	3,027	3,027
Attributable to:			
Owners of the Parent	-	3,027	3,027
Non-controlling interests	-	-	-
	-	3,027	3,027

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

During the six months ended 31 October 2009, and the year to 30 April 2010 there were no cash flows to report for discontinued operations, save the outflow on sale which is shown in the line, "Cash outflow from disposal of subsidiaries" in the Group statement of cash flows.

6 Taxation

	6 months to 31 October 2010 £'000	6 months to 31 October 2009 £'000	Year to 30 April 2010 £'000
Profit before tax from continuing operations	14,018	9,001	9,254
Profit before tax from discontinued operations	-	3,058	3,058
Profit before tax from continuing and discontinued operations	14,018	12,059	12,312
Taxation charge – continuing operations	5,490	3,952	2,453
Taxation charge – discontinued operations	-	31	31
Total taxation charge	5,490	3,983	2,484
Effective tax rate – continuing operations	39.2%	43.9%	26.5%

The taxation expense is recognised based on management's best estimate of the tax rate expected for the full financial year.

7 Dividends

The Board has declared an interim dividend of 1.0p per share for the year ending 30 April 2011, to be paid on 6 May 2011 to shareholders on the register at 25 March 2011.

The Board declared an interim dividend of 0.25p per share for the year ended 30 April 2010, which was paid on 4 May 2010. The Board declared a final dividend for the year ended 30 April 2010 of 1.0p per share, which was approved at the Annual General Meeting on 15 September 2010, and was paid on 5 November 2010.

8 Earnings per share

(i) Earnings per share (total)

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

	6 months to 31 October 2010	6 months to 31 October 2009	Year to 30 April 2010
Basic earnings per share	2.34p	2.22p	2.70p
Diluted earnings per share	2.32p	2.21p	2.69p
Earnings available to Ordinary shareholders (£'000)	8,426	7,988	9,722
Weighted average number of shares in issue in the period			
– basic ('000)	360,843	359,751	359,892
– including dilutive share options ('000)	363,239	361,650	361,952

(ii) Earnings per share (continuing operations)

In addition to showing on the face of the Group Condensed Statement of Comprehensive Income total earnings per share (from continuing and discontinued operations), the Group also shows on the face of the Group Condensed Statement of Comprehensive Income, earnings per share from continuing operations.

	6 months to 31 October 2010	6 months to 31 October 2009	Year to 30 April 2010
Basic earnings per share from continuing operations	2.34p	1.38p	1.86p
Diluted earnings per share from continuing operations	2.32p	1.37p	1.85p
Earnings available to Ordinary shareholders (£'000)	8,426	7,988	9,722
Less : earnings on discontinued operations (£'000)	-	(3,027)	(3,027)
Earnings from continuing operations (£'000)	8,426	4,961	6,695
Weighted average number of shares in issue in the period			
– basic ('000)	360,843	359,751	359,892
– including dilutive share options ('000)	363,239	361,650	361,952

9 Non-current assets – intangibles, property, plant and equipment and investment property

	Goodwill £'000	Other intangible assets £'000	Property, plant and equipment £'000	Investment property £'000
Net book value at 1 May 2009	10,106	8,932	74,644	2,882
Exchange adjustment	2	(23)	(697)	(2)
Additions				
– photobooths and vending machines	-	-	2,834	-
– research and development costs	-	1,394	-	-
– other additions	-	71	538	-
– transfers from inventory	-	-	31	-
Depreciation provided in the period	-	(993)	(13,658)	(320)
Net book value of disposals	-	(110)	(617)	-
Net book value at 31 October 2009	10,108	9,271	63,075	2,560
Net book value at 1 May 2009	10,106	8,932	74,644	2,882
Exchange adjustment	(68)	(197)	(605)	(72)
Additions				
– photobooths and vending machines	-	-	10,944	-
– research and development costs	-	3,259	-	-
– other additions	-	108	1,733	-
Depreciation provided in the period	-	(2,258)	(26,332)	(588)
Net book value of disposals	-	(109)	(1,387)	-
Net book value at 30 April 2010	10,038	9,735	58,997	2,222
Net book value at 1 May 2010	10,038	9,735	58,997	2,222
Exchange adjustment	1	74	1,772	(7)
Additions				
– photobooths and vending machines	-	-	8,425	-
– research and development costs	-	1,750	-	-
– other additions	-	188	401	-
– transfers	-	26	(196)	-
Depreciation provided in the period	-	(1,448)	(12,661)	(263)
Net book value of disposals	-	(2)	(482)	-
Net book value at 31 October 2010	10,039	10,323	56,256	1,952

10 Net cash

	31 October 2010 £'000	31 October 2009 £'000	30 April 2010 £'000
Cash and cash equivalents per the statement of financial position	56,182	40,669	41,916
Financial assets - held to maturity	583	557	570
Bank overdrafts	-	(63)	(2,120)
Non-current bank loans	(8,165)	(27,953)	(17,013)
Current instalments on bank loans	(18,286)	(9,759)	(14,231)
Non-current finance leases	(397)	(520)	(562)
Current finance leases	(483)	(361)	(483)
Net cash	29,434	2,570	8,077

11 Related parties

The Group's significant related parties are disclosed in the 2010 Annual Report and include its associates, its pension funds and the Company's Directors.

12 Non-GAAP Measures

As indicated in Note 2, Basis of preparation and accounting policies, the Group uses certain non-GAAP measures to monitor performance internally. Included in these measures are adjusted earnings after tax and adjusted basic and diluted earnings per share. The Group also measures performance using earnings before interest, tax, depreciation and amortisation (“EBITDA”), as shown in note 3 Segment analysis.

Adjusted earnings after tax and adjusted basic and diluted earnings per share from continuing operations

	6 months to 31 October 2010	6 months to 31 October 2009	Year to 30 April 2010
Adjusted profit after tax (£'000)	8,426	6,375	9,924
Adjusted basic earnings per share	2.34p	1.77p	2.76p
Adjusted diluted earnings per share	2.32p	1.76p	2.74p

The Group shows on the face of the Group Condensed Statement of Comprehensive Income those material one-off items of income and expense which, because of their nature and expected infrequency of the event giving rise to them, merit separate disclosure to allow shareholders better to understand the underlying performance of the Group and to facilitate comparison with prior periods. Adjusted earnings are earnings adjusted for the impact of these one-off items. The Group also shows below basic and diluted earnings per share from continuing operations on this adjusted basis.

Reconciliation of adjusted earnings from continuing operations

	6 months to 31 October 2010	6 months to 31 October 2009	Year to 30 April 2010
Unadjusted earnings available to Ordinary shareholders (£'000)	8,426	7,988	9,722
Impairment charges (£'000)	-	-	1,214
Employment termination and other restructuring costs (£'000)	-	2,156	3,308
Translation reserve arising on disposal of Group undertakings	-	-	255
Tax impact (£'000)	-	(742)	(1,498)
Minority interests (£'000)	-	-	(50)
Adjusted earnings - total operations (£'000)	8,426	9,402	12,951
(Earnings) from discontinued operations (£' 000)	-	(3,027)	(3,027)
Adjusted earnings – continuing operations (£'000)	8,426	6,375	9,924
Adjusted basic earnings per share	2.34p	1.77p	2.76p
Adjusted diluted earnings per share	2.32p	1.76p	2.74p
Weighted average number of shares in issue in the period			
– basic ('000)	360,843	359,751	359,892
– including dilutive share options ('000)	363,239	361,650	361,952

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

John Lewis (Non-Executive Chairman)

Françoise Coutaz-Replan (Group Finance Director)

8 December 2010

INDEPENDENT REVIEW REPORT BY KPMG AUDIT PLC TO PHOTO-ME INTERNATIONAL PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2010 which comprises the Group condensed statement of comprehensive income, the Group condensed statement of financial position, the Group condensed statement of cash flows, the Group condensed statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mark Sheppard
for and on behalf of KPMG Audit Plc
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

8 December 2010

DISTRIBUTION OF REPORT

This half-yearly report is released to the London Stock Exchange. It may be viewed and down loaded from our website www.photo-me.co.uk.

Shareholders and others who require a copy of the report may obtain a copy by contacting the Company Secretary at the Company's registered office.

Photo-Me International plc
Church Road
Bookham
Surrey KT23 3EU
Tel: +44 (0)1372 453399
Fax: +44 (0) 1372 459064
e-mail: ir@photo-me.co.uk