

8th December 2011

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 2011.

Results highlights:

	2011	2010	Change
Revenue	£115.6m	£118.4m	-2.3%
Adjusted Pre-tax Profit †	£17.6m	£14.0m	+25.7%
Pre-tax Profit	£17.0m	£14.0m	+21.6%
EPS(diluted)	3.23p	2.32p	+39.2%
Net Cash ‡	£51.1m	* £40.7m	+£10.4m
Interim Dividend	1.25p	1.00p	+25%

† Before special items

‡ As defined in note 9 to the accounts

*As at 30 April 2011

John Lewis, Non-Executive Chairman, said: “This has been a very good half year for the Group with an extremely resilient performance in the Operations division, led by France. In the current environment, a rise in profits of over 20% is a real achievement and testimony to the management strength in a number of key markets. The Sales and Servicing division has experienced caution from certain large customers who have re-scheduled their deliveries and delayed orders which had been expected in August and which has translated into difficult trading. Accordingly, we are taking the opportunity to press ahead with further restructuring.

“The Group’s cash generation was again strong and the net cash position at the end of October was £51.1million, an increase of more than £10 million during the half year. This enables us to declare an interim dividend of 1.25p per share, a 25% increase on the same period last year.

“As we have commented before, the first half is always the stronger for Photo-Me in terms of profits and we expect this certainly to be the case again. Despite the economic climate, which remains difficult, the Board remains confident that, given that the level of profit in the first half was close to matching the level for the whole of the previous year, market expectations will be achieved for the full year.”

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CHAIRMAN'S STATEMENT

Results

Despite the fact that revenue was slightly down at £115.6m (2010: £118.4m), an excellent performance from our Operations division ensured we were able to report a 25.7% increase in adjusted pre-tax profit (before special items) at £17.6m (2010: £14.0m). After special items this year, the reported pre-tax profit is £17.0m; there were no special items last year. This improved result again was led by our European Operations business which produced a very strong performance.

The Sales and Servicing division's result was disappointing, largely as a result of increased caution from large customers who delayed their orders, due to the difficult economic environment. It is planned to implement a more radical restructuring at KIS (the main company in this division, based in France) which is progressively expected to produce a much more robust performance in the future.

Strategy

Our strategy is focused 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. This has produced a range of photobook and pocketbook products, the new DKS4 minilab and the Philippe Starck designed photobooth. Following the reorganisation at KIS we are currently developing new lines of products, and will be looking to accelerate the rate of new product development going forward.

In order to maximize the returns from our substantial photobooth operations and given the very strong performance in the French market, we are now bringing the UK operation under the management control of France to focus on its profitability, and we will be looking to move from several national distribution centres towards a single logistics and distribution platform for Europe, which will generate further savings for the Group.

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 1.25 pence, an increase of 25% over the interim dividend of 1.00 pence paid last year.

The interim dividend will be paid on 8 May 2012 to shareholders on the register on 30 March 2012, with an ex-dividend date of 28 March 2012.

Outlook

The Operations business will benefit from the launch of the new Starck photobooth and the new multi-format printing kiosk, which will help to stabilise the revenue and to increase its profitability. For Sales & Servicing, we have more to do at KIS in general in order to improve its result.

Traditionally, the first half is always the stronger for Photo-Me and we would expect this certainly to be the case again. Despite the economic climate, which remains difficult, the Board remains confident that, given that the level of profits in the first half was close to matching the level for the whole of the previous year, market expectations will be achieved for the full year.

**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 photobooths, 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, analysed between the two Divisions, Operations and Sales & Servicing:

	Revenue		Operating profit	
	2011	2010	*2011	2010
Six months to 31 October	£m	£m	£m	£m
Operations	97.9	97.1	18.3	15.4
Sales & Servicing	17.7	21.3	1.0	0.6
Group overheads			(1.7)	(1.8)
	115.6	118.4	17.6	14.2
* Before special items				

Whilst revenue slightly declined, adjusted profit before tax significantly improved, rising by 25.7%. After a special item of £0.6 million in relation to restructuring at KIS, statutory pre-tax profit rose by 21.6%. Diluted earnings per share were up 39.2%, at 3.23pence (2010: 2.32p).

Our larger Operations division continued to improve its profitability due to a strong level of trading in Europe combined with a continued focus on costs. The Sales and Servicing division suffered from a lack of throughput, with product demand held back by customers restricting spending on new equipment.

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

Geographical analysis of revenue and profit (by origin)

	Revenue		Operating profit	
	2011	2010	*2011	2010
Six months to 31 October	£m	£m	£m	£m
Continental Europe	66.9	66.5	13.5	10.3
UK & Republic of Ireland	26.5	30.4	2.4	2.2
Asia	22.2	21.5	1.7	1.7
	115.6	118.4	17.6	14.2
* Before special items				

Continental Europe, which includes the great majority of Sales & Servicing revenue, once again comprised the largest element of reported Group revenue - 58% (56%) - but contributed 77% (73%) of group operating profit (2011 - before special items).

OPERATIONS

	Revenue		Operating profit	
	2011	2010	2011	2010
Six months to 31 October	£m	£m	£m	£m
	97.9	97.1	18.3	15.4

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.

Operations contributed 85% (2010: 82%) of group revenue. Divisional revenue increased marginally, but operating profit rose by 19.1%, with a strong performance in Europe. Japan, one of the three main contributors to the Group's profit, has suffered from the aftermath of the earthquake and tsunami during what is usually the best trading period of the year, but has recently returned to normal levels of trading.

Photobooths

Photobooths are an efficient and competitively-priced provider of ID and fun photographs and represent a fairly mature cash generative business. They represent the bulk of the operating profit within the Operations division and within that the most important individual market is France. Over the half year the number of sited photobooths increased by 600 to almost 23,000 sites internationally.

The Group intends to improve the returns from these substantial core photobooth operations through an active management programme. Following a period of excellent trading within the French market, the Group has decided to bring the management of the UK operations under the French management's control to accelerate the site optimisation and cost reduction programme.

The introduction of new products is also key and the new designer "Photobooth by Starck" has now been launched throughout Europe and the Group will be pressing ahead with the roll-out in the months ahead and remain confident that these booths will be more profitable than the models they replace.

Digital photo kiosks

Digital photo kiosks are very much focused in Continental Europe, particularly France and Switzerland, with a smaller presence in the UK. The number of vending sites for digital kiosks is around 5,200 sites.

The product offering is continuing to evolve and the Group has now introduced its latest model of multi-format printing kiosk, the Speedlab300, into the marketplace.

SALES & SERVICING

	Revenue		Operating profit	
	2011 £m	2010 £m	*2011 £m	2010 £m
Six months to 31 October	17.7	21.3	1.0	0.6
* 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. A disappointing result from KIS has been outweighed by improved performance from other Group companies within this division, to produce a modest increase in profit for the half year (before special items this year).

KIS, the largest Group company in this division, has suffered from a lack of throughput in the first half as larger customers have reined in their capital expenditure due to the difficult economic background, while smaller customers have found the lack of bank finance an issue. Sales of the new DKS4 minilab have thus been restrained to date, while further orders for photo/pocketbook machines from OEMs have been deferred until 2012.

The Group is therefore taking the opportunity to fundamentally alter the structure of KIS: all the maintenance activity has been transferred under the management umbrella of Photomaton (the Operations business in France), to maximise the benefits from the existing synergies; KIS will become a smaller company and will be more efficient, with an increased focus on R&D, now representing 30% of the total number of employees.

The Group believes that this will help KIS to return to a better fundamental level of profitability. It will also accelerate new product development, which has not been as efficient as it should have been and is key to increasing profitability over the medium-term.

STATEMENT OF FINANCIAL POSITION

Shareholders' equity at 31 October 2011 totalled £97.2 million (30 April 2011: £87.8 million), equivalent to 26.8 pence (30 April 2011: 24.3 pence) per share.

The Group's net financial position continued to improve. It reported a net cash balance of £51.1 million at the end of the period (30 April 2011: £40.7 million).

RISKS AND UNCERTAINTIES

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

The following key risks have been identified by the Board:

Risk relating to the economic backdrop

- The ability for our customers to obtain finance for purchases of equipment might reduce the level of sales of equipment
- Operations revenue might suffer from a further contraction of consumer spending
- Volatility in foreign exchange rates might impact the Group's turnover and margins
- Risks associated with the general economic crisis in Europe

Operational risk

- A reduction in the retail site-owner base, impacting on Operations revenue and reducing the market for Sales & Servicing
- Failure to achieve substantial orders for the Photobook maker suite of products and for the new DKS 4 range of minilabs

Regulatory risks

- Operations revenue might be adversely affected if governments centralise the production of ID photos in connection with the implementation of biometric passports and other applications, although the potential impact of this risk has been reduced in recent months

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

Serge Crasnianski
Chief Executive Officer

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 October 2011

	Notes	6 months to 31 October 2011 £'000	6 months to 31 October 2010 £'000	Year to 30 April 2011 £'000
Continuing operations				
Revenue	3	115,610	118,365	219,820
Cost of sales		(89,402)	(94,408)	(183,142)
Gross profit		26,208	23,957	36,678
Other operating income		577	582	1,916
Administrative expenses		(9,826)	(10,411)	(20,295)
Share of post-tax profits from associates		77	25	89
Operating profit	3	17,036	14,153	18,388
Analysed between:				
Operating profit before special items		17,608	14,153	18,388
Special items: Restructuring	4	(572)	-	-
Operating profit after special items		17,036	14,153	18,388
Finance revenue		476	243	476
Finance cost		(463)	(378)	(861)
Profit before tax	3	17,049	14,018	18,003
Total tax charge	5	(5,200)	(5,490)	(4,252)
Profit for the period	3	11,849	8,528	13,751
Other comprehensive income				
Exchange differences arising on translation of foreign operations		904	3,329	3,686
Translation reserve taken to income statement on disposal		38	(13)	(10)
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		-	-	(235)
Deferred tax on actuarial movements		(10)	(5)	38
Other comprehensive income (net of tax)		932	3,311	3,479
Total comprehensive income for the period		12,781	11,839	17,230
Profit for the period attributable to:				
Owners of the Parent		11,740	8,426	13,608
Non-controlling interests		109	102	143
		11,849	8,528	13,751
Total comprehensive income attributable to:				
Owners of the Parent		12,710	11,735	17,061
Non-controlling interests		71	104	169
		12,781	11,839	17,230
Earnings per share				
Basic	7	3.25p	2.34p	3.77p
Diluted	7	3.23p	2.32p	3.74p

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

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 October 2011

	Notes	31 October 2011 £'000	31 October 2010 £'000	30 April 2011 £'000
Assets				
Non-current assets				
Goodwill	8	10,026	10,039	10,093
Other intangible assets	8	10,066	10,323	10,368
Property, plant and equipment	8	49,133	56,256	50,847
Investment property	8	1,457	1,952	1,749
Investments in associates		576	594	598
Other financial assets – held to maturity – available-for-sale	9	2,347	583	1,857
		78	159	80
Deferred tax assets		2,923	714	3,038
Trade and other receivables		1,886	1,451	1,947
		78,492	82,071	80,577
Current assets				
Inventories		20,227	18,420	20,858
Trade and other receivables		16,420	16,942	20,398
Other financial assets – held to maturity – available-for-sale	9	14	-	14
		18	25	23
Derivative financial asset		67	-	-
Current tax		205	58	34
Cash and cash equivalents	9	57,422	56,182	56,212
		94,373	91,627	97,539
Total assets		172,865	173,698	178,116
Equity				
Share capital		1,847	1,844	1,844
Share premium		5,809	5,713	5,718
Treasury shares		(5,802)	(5,802)	(5,802)
Other reserves		22,666	21,350	21,686
Retained earnings		72,632	62,888	64,374
Equity attributable to owners of the Parent		97,152	85,993	87,820
Non-controlling interests		966	871	935
Total equity		98,118	86,864	88,755
Liabilities				
Non-current liabilities				
Financial liabilities	9	3,250	8,562	5,704
Post-employment benefit obligations		3,963	4,004	4,061
Provisions		83	77	85
Deferred tax liabilities		3,341	3,618	3,307
Trade and other payables		6,758	813	7,438
		17,395	17,074	20,595
Current liabilities				
Financial liabilities	9	5,461	18,769	11,700
Derivative financial liability		-	122	217
Provisions		4,559	5,265	4,428
Current tax		7,850	6,940	5,136
Trade and other payables		39,482	38,664	47,285
		57,352	69,760	68,766
Total equity and liabilities		172,865	173,698	178,116

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 2011

	Notes	6 months to 31 October 2011 £'000	6 months to 31 October 2010 £'000	Year to 30 April 2011 £'000
Cash flows from operating activities				
Profit before tax		17,049	14,018	18,003
Finance cost		463	378	861
Finance revenue		(476)	(243)	(476)
Operating profit		17,036	14,153	18,388
Share of post-tax profits from associates		(77)	(25)	(89)
Amortisation and depreciation		12,709	14,372	29,180
(Profit)/loss on sale of property, plant and equipment		(178)	(73)	21
Exchange differences		(180)	887	697
Other items		277	9	(517)
Changes in working capital		(3,659)	2,713	10,704
Cash generated from operations		25,928	32,036	58,384
Interest paid		(378)	(363)	(760)
Taxation paid		(2,601)	(323)	(2,279)
Net cash generated from operating activities		22,949	31,350	55,345
Cash flows from investing activities				
Cash outflow from disposal of subsidiaries		-	(76)	(77)
Investment in intangible assets		(1,506)	(1,938)	(3,646)
Proceeds from sale of intangible assets		-	-	2
Purchase of property, plant and equipment		(8,521)	(8,775)	(16,999)
Proceeds from sale of property, plant and equipment		389	543	1,134
Purchase of available-for-sale investments		(1)	-	-
Interest received		193	31	148
Dividends received from associates		52	-	65
Net cash utilised in investing activities		(9,394)	(10,215)	(19,373)
Cash flows from financing activities				
Issue of Ordinary shares to equity shareholders		94	227	232
Repayment of capital element of finance leases		(230)	(247)	(483)
Proceeds from borrowings		-	-	391
Repayment of borrowings		(8,181)	(4,807)	(15,281)
Decrease in other financial assets		-	14	-
Increase in monetary funds		(505)	-	(1,224)
Dividends paid to owners of the Parent		(3,613)	(900)	(4,512)
Dividends paid to non-controlling interests		(40)	(25)	(26)
Net cash utilised in financing activities		(12,475)	(5,738)	(20,903)
Net increase in cash and cash equivalents		1,080	15,397	15,069
Cash and cash equivalents at beginning of the period		56,212	39,796	39,796
Exchange gain on cash and cash equivalents		129	989	1,347
Cash and cash equivalents at end of the period	9	57,421	56,182	56,212

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 2011

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
At 1 May 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/(expense)									
Exchange differences	-	-	-	-	3,327	-	3,327	2	3,329
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(13)	-	(13)	-	(13)
Deferred tax arising from a change in rate	-	-	-	-	-	(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									
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
At 1 May 2010	2,039	5,492	(5,802)	2,229	15,606	57,996	77,560	792	78,352
Profit for year	-	-	-	-	-	13,608	13,608	143	13,751
Other comprehensive income/(expense)									
Exchange differences	-	-	-	-	3,660	-	3,660	26	3,686
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(10)	-	(10)	-	(10)
Actuarial movement in defined benefit pension scheme and other post- employment benefit obligations	-	-	-	-	-	(235)	(235)	-	(235)
Deferred tax on actuarial movements	-	-	-	-	-	38	38	-	38
Total other comprehensive income/(expense)	-	-	-	-	3,650	(197)	3,453	26	3,479
Total comprehensive income for the year	-	-	-	-	3,650	13,411	17,061	169	17,230
Transactions with owners									
Shares issued in the period	6	226	-	-	-	-	232	-	232
Share options	-	-	-	-	-	193	193	-	193
Redemption of deferred shares	(201)	-	-	201	-	-	-	-	-
Dividends	-	-	-	-	-	(7,226)	(7,226)	(26)	(7,252)
Total transactions with owners	(195)	226	-	201	-	(7,033)	(6,801)	(26)	(6,827)
At 30 April 2011	1,844	5,718	(5,802)	2,430	19,256	64,374	87,820	935	88,755

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.

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 2011

	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
At 1 May 2011	1,844	5,718	(5,802)	2,430	19,256	64,374	87,820	935	88,755
Profit for period	-	-	-	-	-	11,740	11,740	109	11,849
Other comprehensive income/(expense)									
Exchange differences	-	-	-	-	942	-	942	(38)	904
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	38	-	38	-	38
Deferred tax arising from a change in rate	-	-	-	-	-	(10)	(10)	-	(10)
Total other comprehensive income/(expense)	-	-	-	-	980	(10)	970	(38)	932
Total comprehensive income for the year	-	-	-	-	980	11,730	12,710	71	12,781
Transactions with owners									
Shares issued in period	3	91	-	-	-	-	94	-	94
Share options	-	-	-	-	-	146	146	-	146
Dividends	-	-	-	-	-	(3,618)	(3,618)	(40)	(3,658)
Total transactions with owners	3	91	-	-	-	(3,472)	(3,378)	(40)	(3,418)
At 31 October 2011	1,847	5,809	(5,802)	2,430	20,236	72,632	97,152	966	98,118

During the period 521,592 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 2011 (“the Interim Report”) were approved and authorised for issue by the Board of Directors on 7 December 2011.

The Company is a public limited company, incorporated and domiciled in England, whose shares are quoted on the London Stock Exchange, under symbol PHTM. Its registered number is 735438 and its registered office is at Church Road, Bookham, Surrey KT23 3EU.

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 photo kiosks, amusement machines and business service equipment. Sales and servicing comprises the manufacture, sale and after-sale servicing of both the above-mentioned equipment and a range of photo-processing equipment, including photobook makers and minilabs. The principal 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 2011 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 2011 and 31 October 2010, together with the audited results to 30 April 2011. 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 2011. 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 2011 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 2011, 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 2012 and future reporting periods. The most significant standards and interpretations which are likely to have a more material impact on the Group’s financial statements were listed in the Group’s 2011 Annual Report. These included IFRS 9 on Financial Instruments, Disclosures - Transfer of Financial Assets (amendments to IFRS7) and the 2010 Improvement to IFRS. The effect of adopting new standards for the 2012 year end has not had a material impact on this interim report.

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 separately identify an adjusted profit, being trading results before special 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.

There were no special items in the six months to 31 October 2010 and in the year ended 30 April 2011.

The directors believe that adjusted profit and alternative earnings per share (based on adjusted profit 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 and cautionary statement regarding forward looking statements

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. The cautionary statement regarding forward looking statements is shown below.

Going Concern

The Annual Report for the year ended 30 April 2011 and the Interim Report for the six months ended 31 October 2011 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, financial resources and financing arrangements. The Annual Report for 2011 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 2011 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 photo kiosks, amusement machines and business service equipment.

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

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

In accordance with 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, which represent more than 80 per cent of the Group's 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 2012 it is expected that this pattern will continue.

3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
6 Months to 31 October 2011			
Total revenue	97,895	29,632	127,527
Inter-segment revenue	-	(11,917)	(11,917)
Revenue from external customers	97,895	17,715	115,610
EBITDA	29,001	2,669	31,670
Depreciation and amortisation	(10,678)	(1,721)	(12,399)
Operating profit excluding associates	18,323	948	19,271
Share of post-tax profit from associates			77
Corporate costs excluding depreciation and amortisation			(1,430)
Corporate depreciation and amortisation			(310)
Adjusted operating profit			17,608
Special items – restructuring costs			(572)
Operating profit			17,036
Finance revenue			476
Finance costs			(463)
Profit before tax			17,049
Tax			(5,200)
Profit for period			11,849
Capital expenditure	8,517	1,472	9,989
Corporate capital expenditure			47
Total capital expenditure			10,036

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)
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)
Operating profit			14,153
Finance revenue			243
Finance costs			(378)
Profit before tax			14,018
Tax			(5,490)
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
Year to 30 April 2011			
Total revenue	176,852	64,283	241,135
Inter-segment revenue	-	(21,315)	(21,315)
Revenue from external customers	176,852	42,968	219,820
EBITDA	46,080	4,086	50,166
Depreciation and amortisation	(24,947)	(3,595)	(28,542)
Operating profit excluding associates	21,133	491	21,624
Share of post-tax profit from associates			89
Corporate costs excluding depreciation and amortisation			(2,687)
Corporate depreciation and amortisation			(638)
Operating profit			18,388
Finance revenue			476
Finance costs			(861)
Profit before tax			18,003
Tax			(4,252)
Profit for year			13,751
Capital expenditure	17,067	3,612	20,679
Corporate capital expenditure			9
Total capital expenditure			20,688

4 Special items and adjusted profit

	6 months to 31 October 2011 £'000	6 months to 31 October 2010 £'000	Year to 30 April 2011 £'000
Adjusted profit before tax	17,621	14,018	18,003
Special items- restructuring costs charged to:			
Cost of sales	170	-	-
Administrative expenses	402	-	-
Total special items	572	-	-
Profit before tax	17,049	14,018	18,003

Special items in the six months to 31 October 2011 relate to restructuring costs in the French Sales & Servicing business.

There was a tax credit of £197,000 associated with these special items.

5 Taxation

	6 months to 31 October 2011 £'000	6 months to 31 October 2010 £'000	Year to 30 April 2011 £'000
Profit before tax	17,049	14,018	18,003
Total taxation charge	5,200	5,490	4,252
Effective tax rate	30.5%	39.2%	23.6%

A number of changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. The Finance Act 2011 included legislation to reduce the main rate of corporation tax from 27% to 26% from 1 April 2011 and to 25% from 1 April 2012. The proposed reduction from 27% to 25% was substantively enacted at the balance sheet date.

The tax charge in the Group Income Statement is based on management's best estimate of the full year effective tax rate based on expected full year profits to 30 April 2012. The full year effective tax rate includes the impact to the Group Income Statement of calculating UK deferred tax balances at the reduced UK tax rate of 25%. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in this interim consolidated financial information.

6 Dividends

Year ending 30 April 2012

The Board has declared an interim dividend of 1.25p per share for the year ending 30 April 2012, to be paid on 8 May 2012 to shareholders on the register at 30 March 2012.

Year ended 30 April 2011

The Board declared an interim dividend of 1.0p per share for the year ended 30 April 2011, which was paid on 6 May 2011 to shareholders on the register at 25 March 2011. The Board proposed a final dividend for the year ended 30 April 2011 of 1.0p per share which was approved at the Annual General Meeting on 6 October 2011 and was paid on 7 November 2011.

Year ended 30 April 2010

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.

7 Earnings per share

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 2011	6 months to 31 October 2010	Year to 30 April 2011
Basic earnings per share	3.25p	2.34p	3.77p
Diluted earnings per share	3.23p	2.32p	3.74p
Earnings available to Ordinary shareholders (£'000)	11,740	8,426	13,608
Weighted average number of shares in issue in the period			
– basic ('000)	361,657	360,843	361,078
– including dilutive share options ('000)	364,029	363,239	363,543

Alternative earnings per share, a non-GAAP measure is shown in note 11 below.

8 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 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
Net book value at 1 May 2010	10,038	9,735	58,997	2,222
Exchange adjustment	55	206	1,423	30
Additions				
– photobooths and vending machines	-	-	15,853	-
– research and development costs	-	3,358	-	-
– other additions	-	288	1,189	-
Depreciation provided in the period	-	(3,217)	(25,460)	(503)
Net book value of disposals	-	(2)	(1,155)	-
Net book value at 30 April 2011	10,093	10,368	50,847	1,749
Net book value at 1 May 2011	10,093	10,368	50,847	1,749
Exchange adjustment	(67)	(191)	814	(47)
Additions				
– photobooths and vending machines	-	-	8,221	-
– research and development costs	-	1,340	-	-
– other additions	-	166	309	-
Depreciation provided in the period	-	(1,617)	(10,847)	(245)
Net book value of disposals	-	-	(211)	-
Net book value at 31 October 2011	10,026	10,066	49,133	1,457

9 Net cash

	31 October 2011 £'000	31 October 2010 £'000	30 April 2011 £'000
Cash and cash equivalents per the statement of financial position	57,422	56,182	56,212
Financial assets - held to maturity	2,361	583	1,871
Bank overdrafts	(1)	-	-
Non-current bank loans	(3,090)	(8,165)	(5,509)
Current instalments on bank loans	(5,190)	(18,286)	(11,259)
Non-current finance leases	(160)	(397)	(195)
Current finance leases	(270)	(483)	(441)
Net cash	51,072	29,434	40,679

At 31 October £2,361,000 (31 October 2010: £583,000, 30 April 2011: £1,871,000) of the total net cash comprised bank deposit accounts, shown as financial assets held to maturity in the condensed statement of financial position, that are subject to restrictions and are not freely for use by the Group.

Cash and cash equivalents per the 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.

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 loans and other borrowings.

10 Related parties

The Group's significant related parties are disclosed in the 2011 Annual Report and include its associates, its pension funds and the Company's Directors.

11 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 Segmental analysis.

The Group shows on the face of the Group Condensed Statement of Comprehensive Income those material one-off items of income and expense, special items, 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 on this adjusted basis.

Reconciliation of adjusted earnings after tax and adjusted basic and diluted earnings per share

	6 months to 31 October 2011	6 months to 31 October 2010	Year to 30 April 2011
Unadjusted earnings available to Ordinary Shareholders (£'000)	11,740	8,426	13,608
Special items pre tax (£'000)	572	-	-
Tax credit on special items (£'000)	(197)	-	-
Adjusted earnings available to Ordinary Shareholders (£'000)	12,115	8,426	13,608
Adjusted basic earnings per share	3.35p	2.34p	3.77p
Adjusted diluted earnings per share	3.33p	2.32p	3.74p

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)

Serge Crasnianski (Chief Executive Officer and Deputy Chairman)

7 December 2011

INDEPENDENT REVIEW REPORT 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 2011 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 2011 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

7 December 2011

Note:

a) The maintenance and integrity of the Photo-Me International plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CAUTIONARY STATEMENT AND DISCLAIMERS

This Interim Financial Report is addressed to the shareholders of Photo-Me International plc and has been prepared solely to provide information to them. This report is intended to inform the shareholders of the group's performance during the 6 months to 31 October 2011.

This Interim Financial Report contains certain forward looking statements which are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that the expectations reflected in this report are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward looking statements in this Interim Financial Report will be realized. The forward looking statements reflect the knowledge and information available at the date of preparation.

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.

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