

PHOTO-ME INTERNATIONAL PLC - PRELIMINARY ANNOUNCEMENT

Photo-Me (PHTM.L), the instant service equipment group, announces its results for the year to 30 April 2011.

Results highlights:

	2011	2010	Change
Turnover	£219.8m	£222.5m	-1.2%
Adjusted Operating Profit †*	£18.4m	£15.1m	+22.1%
Adjusted EBITDA †*	£47.6m	£44.2m	+7.5%
Adjusted Pre-tax Profit †*	£18.0m	£14.0m	+28.3%
Pre-tax Profit *	£18.0m	£9.3m	+94.5%
EPS (diluted, continuing operations)	3.74p	1.85p	+102.2%
Net Cash‡	£40.7m	£8.1m	+£32.6m
Dividend	2.00p	1.25p	+60%

† Before special items *On continuing operations

‡ As defined in note 9 to the accounts

- Turnover down 1.2% at £219.8million
- 22.1% increase in Adjusted Operating Profit driven principally by a strong performance in the Operations division
- Adjusted EBITDA increased by 7.5% to £47.6 million
- Adjusted Pre-tax Profit of £18.0 million, up 28.3%
- Further significant improvement in the net cash position to £40.7million (including advance rental receipts of £8.2million on an investment property)
- Increase of 60% in the dividend to 2p per share

John Lewis, Non-Executive Chairman, said; 'It is pleasing to report another year of steady progress. We have continued to improve our financial results thanks to a robust performance from our Operations division in our key geographic markets. Cash generation has remained strong and we finished the year with a net cash balance of £40.7m, leaving the Group well placed for the future. Having reintroduced a dividend last year, we are in a position to fund a material increase and we are pleased to be recommending a final dividend of 1.0 pence to give a total dividend for the year of 2.0 pence, representing an increase of 60% over the year.'

'The strategy of the business has continued to focus on the development of innovative complementary products that build upon the strength of the ID photobooth business and offer diversified revenue and profit streams for the future. Progress has been made this year with the first material orders for our award winning Photobook Maker. We are also expanding the Photobook Maker range to incorporate inkjet technology, with the potential of significant business with major players in this area, further strengthening our position as market leader in the field of instant photobooks. We have also launched in France our next generation photobooth - the Photobooth by Starck – which we believe will progressively refresh the marketplace, and we have further new products under development which bodes well for the future.'

'Subject to the risks and uncertainties detailed in the business and financial review, the Board once again looks forward to an improved financial performance over the coming year.'

Enquiries:

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

Media

Madano Partnership
Matthew Moth / Sarah Mylroie 020 7593 4000

Investors:

IR Focus
Neville Harris 020 7593 4015

CHAIRMAN'S STATEMENT

It is pleasing to report another year of steady progress.

Results

Despite turnover being little changed over the year, we have continued to improve our financial results thanks to a robust performance from our Operations division in our key geographic markets. We have again witnessed a good improvement in adjusted operating profit, from £15.1m last year to £18.4m this year and a further increase in our net cash resources, which increased by £33m to over £40m.

The operational improvement was due to a combination of a good performance in the key markets in our Operations division as well as further efficiency gains from the recent restructuring plans. The cash position was aided by the receipt of advance rental receipts totalling £8.2m on an investment property in Grenoble.

Strategy

The strategy of the business over the last two years has continued to focus on the development of innovative complementary products that build upon the strength of the ID photobooth business and offer diversified revenue and profit streams for the future. Progress has been made this year with the first material orders for our award winning Photobook Maker. We are also expanding the Photobook Maker range to incorporate inkjet technology, with the potential of significant business with major players in this area, further strengthening our position as market leader in the field of instant photobooks. Considerable effort has also been expended on the further development of the Pocketbook Maker which we believe has a strong market potential.

In addition, we have gone through an extensive process of examining every aspect of our core photobooth business, looking for new mechanisms to improve the scale and reach of our operations, selecting the best sites available and improving commercial terms wherever we are able. Our plan is to drive better performance by re-energising this business with the progressive introduction of new booths. We have launched in France our next generation photobooth - the Photobooth by Starck – which we believe will progressively refresh the marketplace, and we have further new products under development which bodes well for the future.

Dividends

Having reintroduced a dividend last year, with payments totalling 1.25 pence per share, we are in a position to fund a material increase and we are pleased to be recommending a final dividend of 1.0 pence to give a total dividend for the year of 2.0 pence, representing an increase of 60% over the year.

If approved at the Annual General Meeting on 6 October 2011, the final dividend will be paid on 7 November 2011 to shareholders on the register at the close of business on 23 September 2011. The ex-dividend date is 21 September 2011.

Outlook

Our balance sheet has been considerably strengthened by the improvements in operational performance over the last two years and this places the business in a strong position both to continue to fund its new product development as well as dividend growth. Additionally, it increases the Company's flexibility to add to its current portfolio of businesses if opportunities arise.

The Group will continue to look for further OEM orders for its new Photobook Makers, to consolidate the excellent start it has made this year and there are clear opportunities for new product introduction in its substantial core Photobooth operations.

Subject to the risks and uncertainties detailed in the Business and financial review, the Board once again looks forward to an improved financial performance over the coming year.

**John Lewis,
Non-Executive Chairman**

BUSINESS AND FINANCIAL REVIEW

BUSINESS REVIEW

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

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

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

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

The Group continued to improve its overall performance. Geographically, the Asian business was adversely affected by the earthquake in Japan, but nevertheless maintained its profitability while Europe and the UK both improved.

The following geographical analysis is provided in order to give additional information, it is not a segmental analysis used in managing the business.

Geographical analysis of revenue and profit (by origin)

Year to 30 April	Revenue			Operating profit		
	2011 £m	2011† £m	2010 £m	2011 £m	2011† £m	2010 £m
Continental Europe	122.9	126.7	128.0	13.3	13.7	12.3
UK & Republic of Ireland	53.6	53.8	55.8	2.0	2.0	(0.4)
Asia	43.3	39.0	38.7	3.1	2.7	3.2
	219.8	219.5	222.5	18.4	18.4	15.1

† trading results of overseas subsidiaries converted at 2010 exchange rates
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 and contributed the majority of group operating profit. Substantially all Group overheads are charged against the UK & Republic of Ireland.

OPERATIONS

Year to 30 April	Revenue			Operating profit		
	2011 £m	2011† £m	2010 £m	2011 £m	2011† £m	2010 £m
	176.8	175.1	172.4	21.2	21.1	16.5

† trading results of overseas subsidiaries converted at 2010 exchange rates
Continuing operations only, before special items and excluding associates

Operations contributed 80% (2010: 78%) of revenue. Divisional revenue (on a constant currency basis) increased by 1.5%, but operating profit rose by 27.9%, with good improvements in both the UK and France.

At the year end, the total number of vending machines sited worldwide was 43,700 (2010: 43,850), the small reduction in the year comprising an increase by almost 1,000 in the number of photoboosts combined with a reduction in the quantity of low cost amusement machines. Photoboosts represent more than half of the sited machines. This extensive network of sites, with long-standing site-owner contracts and relationships, supplemented by an established field service and cash collection infrastructure, represents one of Photo-Me's greatest strengths.

Photo-Me's Operations business is global, trading in 15 industrialised countries. However, 87% of sites are located in three territories - the UK & Ireland, France and Japan. By area, Continental Europe accounted for 18,300 (2010: 18,050) sites; the UK & Ireland for 16,850 (2010: 17,550); and Asia for 8,550 (2010: 8,250). Increasing the number of photobooth sites remains a priority for the Group. Vending units provide good cash flow, supporting corporate developments including investment in R&D to bring forward the next generation of products.

Revenue from Operations (on a constant currency basis) was down 3.3% in the UK & Ireland, with the general economic background continuing to be difficult. Profitability was higher, however, with the business able to secure lower prices for raw materials as well as benefiting from a continued focus on all costs. In Europe, Operations revenues rose by 4.7% with the largest territory, France, well ahead of this overall figure. Operating profits in Europe were 37.5% higher than last year and the Group is already beginning to see the benefit of the law change in France which protects the private sector's position in the provision of photos for biometric passports. Japanese revenues and profits were broadly unchanged with the most important two months of the year for trading being adversely affected by the after-effects of the earthquake and tsunami. With the vending machine industry as a whole continuing to be affected by restrictions on electricity consumption it is unlikely that the Japanese business will see much improvement in the current financial year.

Photoboosts

Photoboosts are an efficient and competitively-priced provider of ID and fun photographs and represent a mature cash generative business. Over the year the number of photoboosts increased by nearly a thousand, bringing to 22,400 the total number of sites internationally.

The Group's strategy is to re-energise these operations through an active management programme – increasing and optimizing site coverage as well as introducing new and innovative product. One example of this is the Photoboost by Starck – the Group's new “designer booth” with social network connectivity – which is being introduced in the current financial year into the European marketplace, beginning in France. Since the year-end, some 30 machines have been installed and initial results have been promising. The target for 2011/12 is to site several hundred of these new photoboosts and to accelerate installations in the following year.

Due to the bureaucratic processes needed in order to open new territories within China, the number of booths has remained static over the year, although the Group does now have a licence to operate in Beijing. The potential for this market remains large and the Group is committed to its development but it is apparent that it will now take longer to come to fruition than previously thought.

Digital printing kiosks

Digital printing kiosks are very much focused in Continental Europe, particularly France and Switzerland.

The market in France for digital printing kiosks remains positive and the introduction of the Group's new “all-in-one” kiosk, which also incorporates a pocketbook maker, has been well received, and has generated improved revenues. This pocketbook equipment (producing a printed 10x15cm photo album) gives Photo-Me a unique market offering. It also shows potential in the UK, where market tests are currently starting.

Amusement and business service equipment

Overall, this activity suffered against a poor general economic backdrop. However, in the UK, the Group remains a major player and the largest operator of children's rides.

SALES & SERVICING

	Revenue			Operating profit		
	2011 £m	2011† £m	2010 £m	2011 £m	2011† £m	2010 £m
Year to 30 April	43.0	44.4	50.1	0.5	0.6	2.8
† trading results of overseas subsidiaries converted at 2010 exchange rates						
Continuing operations only, before special items and excluding associates						

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.

On a constant currency basis, revenue decreased by 11.3% and operating profit by 76.9%. However, the division still generated a small operating profit.

The decrease in revenue and profit is attributable to KIS (the R&D and manufacturing unit in France), where results have been disappointing, due to the costs associated with the launch of new products in the second half of the financial year. Over the last three years the business has been rationalised and restructured, with a particular focus on extracting

efficiencies in product manufacturing. Further improvements are being sought and we are in the process of reorganising the R&D function into individual business units, to improve the focus of each of these units in delivering new products.

The results of the division have been helped by improved performance from other Group Sales & Servicing activities.

The highlight for the year was the receipt of two orders totalling 1,300 machines from Mitsubishi and 1,000 machines from Fuji for the Group's Photobook suite of products. Discussions are ongoing regarding further substantial orders.

The Group is looking to incorporate inkjet technology into the Photobook Maker range. This will bring the potential of significant business with major players in this area, and will strengthen the Group's position as market leader in the field of instant photobooks.

Photo-Me has had considerable interest from a number of OEMs and views the OEM route as the optimum for maximizing the sales potential of products going forward. In addition it will allow the Group to source the units (when required) from low-cost manufacturing areas, allowing KIS to focus its resources on final assembly, customization and quality control.

FINANCIAL REVIEW

Statement of comprehensive income

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

Year to 30 April	Revenue			Operating profit		
	2011 £m	2011† £m	2010 £m	2011 £m	2011† £m	2010 £m
Operations	176.8	175.1	172.4	21.2	21.1	16.5
Sales & Servicing	43.0	44.4	50.1	0.5	0.6	2.8
Group overheads				(3.3)	(3.3)	(4.2)
	219.8	219.5	222.5	18.4	18.4	15.1

† trading results of overseas subsidiaries converted at 2010 exchange rates

Unlike the previous year, foreign exchange rate movements had little effect on the year's reported revenue and operating profit, both divisionally and centrally.

Turnover decreased by 1.2% to £219.8m on a reported basis.

Before special items, EBITDA from continuing operations was up 7.5% to £47.6m (2010: £44.2m) representing 21.6% of revenue (2010: 19.9%).

Operating profit improved materially from £15.1m (before special items) to £18.4m.

Net finance costs (before special items) were further reduced to £0.4m (2010: £1.0m) and the pre-tax profit before special items increased by 28.3% to £18.0m (2010: £14.0m)

There were no special items this year; and as a consequence, the reported results (after special items in 2010) from continuing operations show a substantial improvement, with a pre-tax profit of £18.0m (2010: £9.3m) and an after tax profit of £13.8m (2010: £6.8m)

The reported fully diluted earnings per share from continuing operations were 3.74p (2010: 1.85p)

Statement of financial position

Shareholders' equity totalled £87.8m (2010: £77.6m), equivalent to 24.3p (2010: 21.5p) per share.

Cash generation has remained strong and we finished the year with a net cash balance of £40.7m, leaving the Group well placed for the future. This was aided by the advance rental receipts of £8.2m on an investment property in Grenoble. The improvement in the net cash position has nevertheless been very substantial over the past two years, with a net change of £64.2m from net debt of £23.5m at 30 April 2009.

Funding and treasury policy

The £32.6m net cash inflow is explained in the following summarised cash flow statement:

	2011 £m	2010 £m
Opening net cash/(debt)	8.1	(23.5)
Cash flow		
Operating profit from continuing operations	18.4	10.5
Depreciation	29.2	29.2
Impairment	-	1.2
Working capital	10.7	7.1
Taxation	(2.3)	0.7
Interest paid	(0.8)	(0.9)
All others	0.1	(0.1)
Operating cash flow	55.3	47.7
Use of cash flow		
Outflow from disposal of subsidiaries	-	(2.4)
Net capital expenditure	(19.5)	(13.9)
Dividends paid	(4.5)	-
All others	1.3	0.2
	(22.7)	(16.1)
Net cash inflow	32.6	31.6
Closing net cash	40.7	8.1

Strong cash flows generated from operations of £55.3m reflected the increase in underlying profits, and the focus of the Group on the improvement in working capital; it also benefited from the favourable effect of assignment of future rental receipts on the investment property in France.

Capital expenditure was higher than last year, following the Group's priority to increase the number of photobooths sited.

The dividend, resumed last year, was paid during the period and resulted in a £4.5m outflow.

At the year end, the Group reported a net cash balance of £40.7m.

Capital structure

The Group's funding policy is to maintain a timely flow of funds to meet anticipated funding requirements.

The Group manages its capital to sustain the future development of the business and to maximise long-term shareholder value. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets or review the level or type of debt.

The Group's policy is to use a mixture of long term and short term borrowings. Surplus cash is placed in bank deposits and other investments with high credit rating and kept under constant review.

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

Financial instruments

The Group's principal financial instruments comprise bank loans, finance leases and overdrafts. These instruments are used to raise finance for the Group's operations and to cover capital expenditure and working capital requirements.

The Group takes the view that short-term debtors and creditors are not financial instruments that play a significant medium to long-term role in the financial risk profile of the Group.

Financial risks

The Group is exposed to a variety of financial risks, including changes in foreign exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential risks for the Group. The Board reviews and agrees policies for managing risks.

Foreign exchange risk

The Group has a number of overseas subsidiaries whose functional currency is not Sterling. The principal currencies of the Group are Sterling, Euro, Swiss francs and Japanese yen. As a result, changes in exchange rates can impact on the net assets of the Group's balance sheet. Individual subsidiaries are exposed to exchange rate movements as a result of selling or purchasing in foreign currencies. Hedges may be taken out to cover forward foreign exchange contracts to assist in managing the exchange risk from trading. Any amounts hedged are generally short-term (less than one year) and are monitored for their effectiveness.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in interest rates. The Group finances its operations through a mixture of retained profit, cash balances and bank borrowings. The Group borrows in the desired currencies at both fixed and floating rates of interest. The Group regularly monitors the possibility of switching from floating to fixed rate and from fixed to floating. It also monitors the possibility of using cap and floor arrangements. The Group may also take out derivative contracts to limit interest rate exposure.

Liquidity risk

The Group's objective is to ensure adequate facilities are available and to maintain a balance between continuity of funding and flexibility, through use of overdrafts, bank loans and finance leases. As already stated, at 30 April 2011 the Group had a net cash balance of £40.7m. Surplus funds are generally available at short notice.

Key performance indicators

The Group measures its performance using a mixture of financial and non-financial indicators. These are aligned to the Group's long-term strategy of enhancing shareholder value.

	2011	2010	Change
Vending sites[†]:			
Total	43,700	43,850	-0.3%
Photobooths	22,400	21,450	+4.4%
Digital printing kiosks & photobook makers	5,050	5,150	-1.9%
Other vending equipment	16,250	17,250	-5.8%
Revenue[†]:			
Total	£219.8m	£222.5m	-1.2%
Operations	£176.8m	£172.4m	+2.5%
Sales & Servicing	£43.0m	£50.1m	-14.2%
Underlying EBITDA (excluding special items)[†]	£47.6m	£44.2m	+7.5%
Underlying operating profit (excluding special items):			
Total	£18.4m	£15.1	+\$3.3m
Operations	£21.2m	£16.5m	+\$4.7m
Sales & Servicing	£0.5m	£2.8m	-\$2.3m
Group overhead	£(3.3)m	£(4.2)m	+\$0.9m
Increase in net cash position	£32.6m	£31.6m	+\$1.0m
Gearing ratio	-	-	-
Gross capital expenditure	£20.6m	£15.2m	+\$5.4m
Depreciation and amortisation	£29.2m	£29.2m	-
Research and development expenditure (including amounts capitalised)	£4.1m	£3.9m	+\$0.2m
Research and development expenditure as a percentage of Sales & Servicing revenue (including inter-segment sales)	6.4%	5.5%	+0.9%

[†]Continuing operations

Financial objective

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

RISKS AND UNCERTAINTIES

The Group's operational performance and growth are influenced and impacted by a number of risks. The following key risks have been identified by the Board:

Risk related to the economic backdrop

- Financing difficulties for our customers 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

Operational risks

- A reduction in the retail site-owner base, impacting on Operations revenue and reducing the market for Sales & Servicing
- The sales & servicing business is heavily dependant on the ability to secure further material orders for the photobook maker suite of products

Risks related to regulation

- 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

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.

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2011

		2011			2010
	Notes	Total £'000	Before special items £'000	Special items (Note 3) £'000	Total £'000
Revenue	2	219,820	222,507	–	222,507
Cost of sales		(183,142)	(190,208)	(3,747)	(193,955)
Gross profit		36,678	32,299	(3,747)	28,552
Other operating income		1,916	1,574	–	1,574
Administrative expenses		(20,295)	(18,806)	(775)	(19,581)
Share of post-tax profits/(losses) from associates		89	(9)	–	(9)
Operating profit/(loss)	2	18,388	15,058	(4,522)	10,536
Finance revenue		476	470	–	470
Finance cost		(861)	(1,497)	(255)	(1,752)
Profit/(loss) before tax		18,003	14,031	(4,777)	9,254
Total tax (charge)/credit	4	(4,252)	(3,951)	1,498	(2,453)
Profit/(loss) for year – from continuing operations		13,751	10,080	(3,279)	6,801
Profit for year – from discontinued operations	5	–			3,027
Profit for year – from continuing and discontinued operations		13,751			9,828
Other comprehensive income					
Exchange differences arising on translation of foreign operations		3,686			(836)
Translation reserve taken to income statement on disposal		(10)			(2,992)
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		(235)			(581)
Deferred tax on actuarial movements		38			181
Other comprehensive income/(expense) (net of tax)		3,479			(4,228)
Total comprehensive income for the year		17,230			5,600
Profit for the year attributable to:					
Owners of the Parent		13,608			9,722
Non-controlling interests		143			106
		13,751			9,828
Total comprehensive income attributable to:					
Owners of the Parent		17,061			5,512
Non-controlling interests		169			88
		17,230			5,600
Earnings per share (total)					
Basic earnings per share	6	3.77p			2.70p
Diluted earnings per share	6	3.74p			2.69p
Earnings per share (continuing operations)					
Basic earnings per share	6	3.77p			1.86p
Diluted earnings per share	6	3.74p			1.85p

GROUP STATEMENT OF FINANCIAL POSITION
as at 30 April 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Goodwill	8	10,093	10,038
Other intangible assets	8	10,368	9,735
Property, plant and equipment	8	50,847	58,997
Investment property	8	1,749	2,222
Investments in associates		598	583
Other financial assets - held to maturity		1,857	556
- available-for-sale		80	155
Deferred tax assets		3,038	1,034
Trade and other receivables		1,947	1,696
		80,577	85,016
Current assets			
Inventories		20,858	22,747
Trade and other receivables		20,398	19,295
Other financial assets - held to maturity		14	14
- available-for-sale		23	38
Current tax		34	408
Cash and cash equivalents		56,212	41,916
		97,539	84,418
Total assets		178,116	169,434
Equity			
Share capital		1,844	2,039
Share premium		5,718	5,492
Treasury shares		(5,802)	(5,802)
Other reserves		21,686	17,835
Retained earnings		64,374	57,996
Equity attributable to owners of the Parent		87,820	77,560
Non-controlling interests		935	792
Total equity		88,755	78,352
Liabilities			
Non-current liabilities			
Financial liabilities		5,704	17,575
Post-employment benefit obligations		4,061	3,659
Provisions		85	72
Deferred tax liabilities		3,307	3,289
Trade and other payables		7,438	703
		20,595	25,298
Current liabilities			
Financial liabilities		11,700	16,834
Derivative financial liability		217	122
Provisions		4,428	5,119
Current tax		5,136	2,425
Trade and other payables		47,285	41,284
		68,766	65,784
Total equity and liabilities		178,116	169,434

GROUP CONDENSED STATEMENT OF CASH FLOWS
for the year ended 30 April 2011

	2011	2010
	£'000	£'000
Cash flows from operating activities		
Operating profit from continuing operations	18,388	10,536
Operating profit from discontinued operations	-	7
Share of post-tax (profit)/loss from associates	(89)	9
Amortisation of intangible assets	3,217	2,258
Depreciation of property, plant and equipment	25,963	26,955
Loss on sale of property, plant and equipment	21	134
Impairment of inventories (special item)	-	1,214
Exchange differences	697	(40)
Decrease in working capital	10,704	7,148
Other items	(517)	(337)
Cash generated from operations	58,384	47,884
Interest paid	(760)	(884)
Taxation (paid)/received	(2,279)	660
Net cash generated from operating activities	55,345	47,660
Cash flows from investing activities		
Outflow from disposal of subsidiaries	(77)	(2,383)
Investment in intangible assets	(3,646)	(3,367)
Proceeds from sale of intangible assets	2	151
Purchase of property, plant and equipment	(16,999)	(11,852)
Proceeds from sale of property, plant and equipment	1,134	1,253
Proceeds from sale of available-for-sale investments	-	56
Interest received	148	46
Dividends received from associate	65	-
Net cash utilised in investing activities	(19,373)	(16,096)
Cash flows from financing activities		
Issue of Ordinary shares to equity shareholders	232	58
Repayment of capital element of finance leases	(483)	(381)
Proceeds from borrowings	391	260
Repayment of borrowings	(15,281)	(10,355)
Increase in monetary funds	(1,224)	-
Dividends paid to owners of the Parent	(4,512)	-
Dividends paid to non-controlling interests	(26)	(48)
Net cash utilised in financing activities	(20,903)	(10,466)
Net increase in cash and cash equivalents	15,069	21,098
Cash and cash equivalents at beginning of year	39,796	18,616
Exchange gain on cash and cash equivalents	1,347	82
Cash and cash equivalents at end of year	56,212	39,796

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 30 April 2011

	Share capital	Share premium	Treasury shares	Other reserves	Translation reserve	Retained earnings	Attributable to owners of the Parent	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
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	-	-	-
Shares issued in period	2	56	-	-	-	-	58	-	58
Share options	-	-	-	-	-	37	37	-	37
Dividends	-	-	-	-	-	(900)	(900)	(48)	(948)
Sale of subsidiary	-	-	-	-	-	-	-	(29)	(29)
At 30 April 2010	2,039	5,492	(5,802)	2,229	15,606	57,996	77,560	792	78,352
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
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
Shares issued in period	6	226	-	-	-	-	232	-	232
Share options	-	-	-	-	-	193	193	-	193
Redemption of Deferred shares	(201)	-	-	201	-	-	-	-	-
Dividends	-	-	-	-	-	(7,226)	(7,226)	(26)	(7,252)
At 30 April 2011	1,844	5,718	(5,802)	2,430	19,256	64,374	87,820	935	88,755

NOTES

1 Basis of preparation and accounting policies

The preliminary results for the year ended 30 April 2011 have been extracted from the audited consolidated financial statements, which were approved by the Board of Directors on 28 June 2011. The audited consolidated financial statements have not yet been delivered to the Registrar of Companies but are expected to be published by the end of July.

The Group has adopted the following new standard and amended IFRS in these financial statements. IFRS3 (revised) Business Combinations and the associated amendments to IAS27 Consolidated and separate financial statements. This will impact on the accounting and disclosures relating to future acquisitions. Adopting this standard had no immediate impact on the reported results or financial position of the Group.

Abridged financial information

The financial information in this announcement which was approved by the Board of Directors does not constitute the Company's statutory accounts for the years ended 30 April 2010 or 2011 but is derived from those accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s498(2) or (3) Companies Act 2006.

This preliminary announcement has been prepared in accordance with the accounting policies under IFRS as adopted by the EU.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. This preliminary announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosures and Transparency Rules (DTR).

Special items

There were no special items in the year ended 30 April 2011.

In respect of the prior year to 30 April 2010, the Group's Statement of Comprehensive Income and segmental analysis separately identify an adjusted profit, being trading results before special items. Special items is the term management use 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 year and in comparison to prior periods and have little predictive value. This is a non-GAAP classification and items listed may not be comparable with similar headed classifications used by other companies. Management believe that adjusted profit and adjusted earnings per share provide additional useful information to shareholders on underlying trends and performance.

2 Segment analysis

Operating segments are reported in a manner consistent with internal reporting to the Chief Operating Decision Maker as required by IFRS8, Operating Segments.

The Group has identified two segments as set out below:

- (i) Operations: comprises the operation of unattended vending equipment, in particular photobooths, digital printing kiosks, amusement machines and business service equipment.
- (ii) Sales & Servicing: comprises the development, manufacture, sale and after-sale servicing of this Operations equipment and a range of photo-processing equipment, together with the servicing of other third party equipment.

	Operations £'000	Sales & Servicing £'000	Total £'000
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)
Adjusted 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)
Adjusted operating profit			18,388
Special operating items			-
Operating profit			18,388
Finance revenue			476
Finance costs			(861)
Profit before tax			18,003
Tax			(4,252)
Profit for the year – from continuing operations			13,751
Profit for the year – from discontinued operations			-
Profit for year			13,751
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 revenue			470
Finance costs			(1,752)
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

3 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 meaningful analysis of the trading results of the Group.

	2011 £'000	2010 £'000
Adjusted profit before tax from continuing operations	18,003	14,031
Special items		
Cost of sales		
Impairment of inventory	-	(1,214)
Employment termination and other restructuring costs	-	(2,533)
	-	(3,747)
Administrative expense		
Employment termination and other restructuring costs	-	(775)
Finance cost	-	(255)
Total special costs	-	(4,777)
Profit before tax after special items	18,003	9,254

Year ended 30 April 2011

There were no special items in 2011.

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 restructuring costs, arising mainly in the Sales & Servicing division, including employment termination costs and a £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 special items.

4 Taxation on continuing operations

	2011 £'000	2010 £'000
Current taxation		
UK	591	-
Overseas	5,535	3,816
Prior year adjustments	293	(260)
	6,419	3,556
Deferred taxation		
Temporary differences	(18)	(849)
Prior year adjustments	(2,166)	(254)
Impact of change in rate	17	-
	(2,167)	(1,103)
Total tax charge	4,252	2,453

5 Discontinued operations

There were no discontinued operations in 2011.

The discontinued operations in 2010 related to the Group's wholesale lab business. The results of the discontinued operations were as follows:

	Year to 30 April 2010 £'000
Revenue	1,759
Profit before finance items and tax	7
Net finance expense	(1)
Profit before taxation	6
Tax	(31)
Loss from discontinued operations	(25)
Profit on sale (no tax charge/credit)	3,052
Profit from discontinued operations	3,027
Attributable to:	
Owners of the parent	3,027

Included in the 2010 profit on sale of £3,052,000 was a transfer from translation reserve of £3,247,000.

During 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, "outflow from disposal of subsidiaries" in the Group statement of cash flows.

6 Earnings per share

	Year to 30 April 2011	Year to 30 April 2010
Basic earnings per share		
Total	3.77p	2.70p
Continuing	3.77p	1.86p
Discontinued	-	0.84p
Diluted basic earnings per share		
Total	3.74p	2.69p
Continuing	3.74p	1.85p
Discontinued	-	0.84p
Adjusted earnings per share		
Total	3.77p	3.60p
Continuing	3.77p	2.76p
Discontinued	-	0.84p
Diluted adjusted earnings per share		
Total	3.74p	3.58p
Continuing	3.74p	2.74p
Discontinued	-	0.84p

The earnings and weighted average number of share used in the calculation are set out in the table below:	Year to 30 April 2011	Year to 30 April 2010
Earnings attributable to ordinary shareholders (£'000)		
Total	13,608	9,722
Continuing	13,608	6,695
Discontinued	-	3,027
Adjusted earnings attributable to ordinary shareholders (£'000)		
Total	13,608	12,951
Continuing	13,608	9,924
Discontinued	-	3,027
Weighted average number of shares in issue in the period:		
- basic ('000)	361,078	359,892
- including dilutive share options ('000)	363,543	361,952

Adjusted basic and diluted earnings per share are calculated on the basis of earnings before special items. The Directors believe that disclosure of this measure allows shareholders to understand better the elements of financial performance and to facilitate comparison with other periods.

Adjusted earnings per share calculations

	2011			2010		
	Earnings £'000	Weighted average number of shares '000	Earnings per share pence	Earnings £'000	Weighted average number of shares '000	Earnings per share pence
Unadjusted earnings per share	13,608	361,078	3.77	9,722	359,892	2.70
Impairment	-	-	-	1,214	359,892	0.33
Employment termination and other restructuring cost	-	-	-	3,308	359,892	0.92
Translation reserve arising on disposal of Group undertakings	-	-	-	255	359,892	0.07
Tax impact	-	-	-	(1,498)	359,892	(0.42)
Minority interests	-	-	-	(50)	359,892	-
Adjusted basic earnings per share	13,608	361,078	3.77	12,951	359,892	3.60
Adjusted diluted adjusted earnings per share			3.74			3.58

7 Dividends paid and proposed

An interim dividend for the year ended 30 April 2010 of 0.25p per share was paid on 4 May 2010 and a final dividend of 1.0p per share was paid on 5 November 2010.

The Board has declared an interim dividend of 1.0p per share for the year ended 30 April 2011, which was paid on 6 May 2011. The Board propose a final dividend for the year ended 30 April 2011 of 1.0p per share, which is subject to shareholder approval at the Annual General Meeting to be held on 6 October 2011. If approved, the dividend will be paid on 7 November 2011.

8 Non-current assets

	Goodwill £'000	Intangible assets £'000	Property, plant & equipment £'000	Investment property £'000
Net book value at 1 May 2010	10,038	9,735	58,997	2,222
Exchange difference and other movements	55	206	1,423	30
Additions – photobooths and vending equipment	-	-	15,853	-
Additions – other assets	-	3,646	1,189	-
Amortisation	-	(3,217)	-	-
Depreciation	-	-	(25,460)	(503)
Disposals at net book value	-	(2)	(1,155)	-
Net book value at 30 April 2011	10,093	10,368	50,847	1,749

9 Net cash/(debt)

	2011 £'000	2010 £'000
Cash and cash equivalents per statement of financial position	56,212	41,916
Financial assets – held to maturity	1,871	570
Bank overdrafts	-	(2,120)
Non-current instalments due on bank loans	(5,509)	(17,013)
Current instalments due on bank loans	(11,259)	(14,231)
Non-current finance leases	(195)	(562)
Current finance leases	(441)	(483)
Net cash	40,679	8,077

Net cash/(debt) 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/(debt) as defined by the Group may not be comparable with other companies' measurement of net cash/(debt). The Group includes in net cash/(debt) loan and other borrowings less cash and cash equivalents and certain financial assets, mainly deposits.

At 30 April 2011, £1,871,000 of the total net cash (2010: £570,000) comprised bank deposit accounts that are subject to restrictions and are not freely for use by the Group.

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

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ending 30 April 2011. Certain parts thereof are not included within this announcement.

"We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Business and financial review, which is incorporated into the Report of the directors, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face."

By order of the Board

John Lewis

Chairman

Serge Crasnianski

Chief Executive Officer

28 June 2011

11 Publication of the audited financial statements

Copies of the Report and Accounts for the year ended 30 April 2011 will be mailed to those shareholders who have opted to receive them, by the end of July and will be available from the Company's registered office at Church Road, Bookham, Surrey KT23 3EU (telephone: 01372-453 399, fax: 01372-459 064, email: ir@photo-me.co.uk) and the Company's website (http://investor.photo-me.com/financial_reports) after that date.