

# PHOTO-ME INTERNATIONAL PLC - INTERIM RESULTS ANNOUNCEMENT

## EXCELLENT HALF-YEAR RESULTS – CONFIDENT OUTLOOK

Photo-Me (PHTM.L), the instant service equipment group, announces its results for the six months to 31 October 2012.

### Results in brief:

	2012	2011	Change	2012(CC)	2011	Change(CC)
Revenue	£107.4m	£115.6m	-7.1%	£113.2m	£115.6m	-2.1%
EBITDA †	£29.8m	£29.7m	0.3%	£31.8m	£29.7m	6.8%
Pre-tax profit	£20.0m	£17.0m	17.4%	£21.5m	£17.0m	25.9%
EPS(diluted)	3.93p	3.23p	21.7%			
Net Cash/(Debt) ‡	£70.0m	* £51.8m	18.2m			
Dividend	1.5p	1.25p	20.0%			

† As defined in note 2 to the interim report

‡ As defined in note 8 to the interim report

\* As at 30 April 2012

CC: Constant currency (2012 trading results of overseas subsidiaries converted at 2011 exchange rates, to eliminate the impact of foreign exchange rate movements)

### Operational Highlights

- Pre-tax profit up 17.4% (25.9% in CC) despite revenue decline of 7.1% (2.1% in CC)
- All 3 geographic regions increased profits; individually, Germany, Switzerland and Japan outstanding
- Sales and Servicing division returned to profitability
- Formal launch of new coin-operated laundry machines; strong growth anticipated
- Net cash position of £70 million, an increase of £18.2 million since year end
- Interim dividend increased by 20% to 1.5 pence per share
- Board to consider additional returns to shareholders

The above-mentioned figures include a profit of £2.4 million on the sale of a property in France and additional stock provision of £1.9 million.

John Lewis, Non-Executive Chairman, said; “The Group has again traded well in what is traditionally its stronger half and delivered a record result, despite a currency headwind. A growing estate, tighter management and lower costs have all contributed to this with notable improvements in Germany, Switzerland and Japan and another very good performance in our largest market, France. In addition it is pleasing to report that the Sales and Servicing (S&S) division, whilst smaller than it was, has returned to profitability after an extended period of restructuring.

“One of Photo-Me’s great strengths is innovation. After almost three years of testing and trialling in France and Belgium, our new laundry product is ready to be aggressively rolled out. If the results achieved to date are repeated on a much larger scale, we anticipate this product will become a significant contributor to profits within three years.

“We continued to generate significant levels of cash in the period and the net cash position at the end of October was £70 million, an increase of £18 million since the end of April. We are therefore increasing the interim dividend by 20% and, during the second half of the year, the Board will be considering the options for returning some of this cash to shareholders.

“As we always point out, the first half is seasonally the stronger for Photo-Me in terms of profits and we expect this certainly to be the case again. However, the Board remains confident of good progress over the year given that the level of profits in the first half broadly matched the outturn for the whole of the previous year.”

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## **CHAIRMAN'S STATEMENT**

Comments referring to constant currency performance are based upon the 2012 trading results of overseas subsidiaries being converted at 2011 exchange rates, to aid comparability of underlying trading performance.

### **Results**

Despite the fact that revenue was some 2% lower in constant currency (Operations +1.0%, Sales & Servicing -19.6%), another strong performance in our Operations division combined with a turnaround in our Sales & Servicing division meant we were able to report a 17.4% increase in pre-tax profit (25.9% in constant currency).

In Operations, there was a healthy increase of 18.0% (in constant currency) in operating profit aided by expansion of the photobooth estate and new product. There were strong performances especially in Germany, Switzerland and Japan.

Our Sales and Servicing division produced improved profitability, on lower revenue, following an extensive period of restructuring.

We remain intent on maximizing the returns from Operations and having consolidated the management structure we are moving towards a single logistics and distribution platform for Europe which will generate further savings for the Group.

### **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 in the recent past.

After a period of testing we are now ready to rapidly expand our coin-operated laundry product which shares a number of operational characteristics with our core photobooth business. This is detailed further below.

### **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 1.5 pence, an increase of 20% over the interim dividend of 1.25 pence paid last year.

The interim dividend will be paid on 7 May 2013 to shareholders on the register on 2 April 2013, with an ex-dividend date of 27 March 2013.

### **Outlook**

The profitability of the business has improved and cash flow remains strong. In addition, we are about to introduce more widely coin-operated laundry machines, which we believe have substantial potential in the medium-term and will be less impacted by the prevailing economic climate. We look to the future with confidence and we will be considering the options for increasing shareholder returns.

As to the present, as we always point out, the first half is seasonally the stronger for Photo-Me in terms of profits and we expect this certainly to be the case again. However, the Board remains confident of good progress over the year given that the level of profits in the first half broadly matched the outturn for the whole of the previous 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, amusement machines, business service equipment and laundry 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 and album maker solutions.

The following table summarises the results analysed between the two divisions, Operations and Sales & Servicing:

Six months to 31 October	Revenue			Operating profit		
	2012 £m	2012* £m	2011 £m	2012 £m	2012* £m	2011 £m
Operations	94.2	98.9	97.9	20.3	21.7	18.3
Sales & Servicing	13.2	14.3	17.7	1.2	1.3	0.4
Group overheads				(1.5)	(1.5)	(1.7)
	<b>107.4</b>	<b>113.2</b>	115.6	<b>20.0</b>	<b>21.5</b>	17.0

\*trading results of overseas subsidiaries converted at 2011 exchange rates

Whilst revenue declined by 7.1% (2.1% on a constant currency basis), profit before tax again materially improved, rising by 17.4% (25.9% in constant currency). Diluted earnings per share on continuing operations were up 21.7%, at 3.93 pence (2011: 3.23 pence).

Our larger Operations division continued to improve its profitability aided by expansion of the estate and new product. The Sales and Servicing division also produced improved profitability, on lower revenue, following an extensive period of restructuring.

The business is international in its reach and focused on three main geographic regions at present: Continental Europe; UK & Republic of Ireland and Asia. Geographical analysis of revenue and profit (by origin)

Six months to 31 October	Revenue			Operating profit		
	2012 £m	2012* £m	2011 £m	2012 £m	2012* £m	2011 £m
Continental Europe	59.5	65.5	66.9	14.8	16.3	12.9
UK & Republic of Ireland	24.2	24.3	26.5	2.6	2.6	2.4
Asia	23.7	23.4	22.2	2.6	2.6	1.7
	<b>107.4</b>	<b>113.2</b>	115.6	<b>20.0</b>	<b>21.5</b>	17.0

\*trading results of overseas subsidiaries converted at 2011 exchange rates

Continental Europe, which includes the great majority of Sales & Servicing revenue, once again comprised the largest element of Group revenue at 58% (2011: 58%) but contributed 76% (2011: 75%) of Group operating profit, in constant currency. Substantially, all Group overheads are charged against the UK & Republic of Ireland.

### OPERATIONS

Six months to 31 October	Revenue			Operating profit		
	2012 £m	2012* £m	2011 £m	2012 £m	2012* £m	2011 £m
	94.2	98.9	97.9	20.3	21.7	18.3

\*trading results of overseas subsidiaries converted at 2011 exchange rates

Operations contributed 87% (2011: 85%) of Group revenue on a constant currency basis. Divisional revenue rose 1.0% but operating profit rose by 18%, with good performances in all three geographic regions.

Photo-Me's operations business is global, trading in 15 industrialised countries. However, 85% of sites are located in three territories - the UK & Ireland, France and Japan. By area, Continental Europe accounted for 19,856 (2011: 19,045) sites; the UK and Ireland for 14,323 (2011: 15,761); and Asia for 8,981 (2011: 8,778).

At the half year end, as a result of removing some small value amusement machines, the total number of vending sites worldwide was 43,160 (2011: 43,584) of which photobooths represent around 60%. This extensive network of sites, with related site-owner contracts and relationships, supplemented by an established field service and cash collection infrastructure, represents one of Photo-Me's greatest strengths.

### **Photobooths**

Photobooths currently represent the bulk of the operating profit of the Operations division and for this product the most important individual market is France. Over the half year the number of sited photobooths increased by 1,285 to almost 24,300 sites internationally, an increase of 5.6%. Over half of this increase was in Europe which has been led by expansion in the German market and the rollout of the newer Starck-designed booths which, after two to three months on site, are showing turnover some 50% higher than older models, justifying the Group's optimism about their introduction. There are currently 630 Starck booths in the market place and the group anticipates a substantial increase in numbers over the year ahead.

There was a near 4% increase in Asian units during the period and this, combined with the introduction of newer booths with a much enhanced photo quality, contributed to a strong performance in Japan.

The Photobooth market is long-established, but the Group still believes that there are opportunities for growth, particularly in new countries. The Group has just this month launched its first machine in Malaysia and is testing in two other markets - Thailand and Ukraine. The Group also believes there are opportunities to acquire small businesses for development in other countries, and is currently examining Turkey and Poland.

Overall, the business continues to be managed tightly and remains a significant cash generator which enables the Group, amongst other things, to invest in and develop new products, the most important of which are laundry units.

### **Laundry units**

Over the last three years, and following a period of R&D and product development in Grenoble, Photo-Me has been trialling stand-alone heavy-duty laundry units in France and Belgium, sited predominantly at major supermarkets, standing outside the main buildings. These trials have focused on both the uptake of the product as well as the durability and reliability of the machines, which are designed essentially for the washing and drying of large laundry items such as duvets or bedding, accommodating large loads of up to 18kg.

The results from the trials, both from a durability and takings standpoint, have been sufficiently good that Photo-Me believes a significant opportunity exists to roll-out this product aggressively in France and Belgium initially, followed by other European countries in due course, utilising the same sites as the photobooth estate. To date, Photo-Me has sold 160 of these units and continues to operate 23. The target is to have at least 3,000 units in operation by the end of calendar year 2015. The price of an 18kg wash is normally €8, an 8kg wash is €4 and there is a further charge of €1 for drying, a price level which is usually cheaper than local alternatives. To date, the average EBITDA on a laundry unit has exceeded 50% of turnover.

Machine durability has been good. The machines are currently assembled in France, but Photo-Me believes it will be able to reduce costs in the medium-term by increased sourcing from the Far East.

The roll-out of the units will be self-financed by Photo-Me and they will be operated and maintained by Photo-Me's extensive network of service engineers, using the same information systems as the photobooth estate. Photo-Me believes that this network, combined with its excellent long-standing relationships with site-owners - as well as price - will provide effective competitive barriers. As with photobooths, a commission is paid to the site-owner.

In addition, Photo-Me is ensuring that the laundry units going forward will look extremely modern and has once again used Philippe Starck to provide the design template, following the success of the recent Starck-designed photobooths.

### **Digital printing kiosks**

Digital printing 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 5,000 sites.

The product offering is continuing to evolve and the Group has now introduced into the marketplace its latest model which offers different formats of prints and a complete range of added value services such as calendars, greeting cards

and postcards, together with a scanner for photo replication. Trading in both revenue and operating profit terms was broadly similar to last year.

### Amusement and business service equipment

This business, which is quite dependent on levels of economic activity, again saw a small reduction in revenues in the half year but represents less than 8% of the revenue of the Operations division.

### SALES & SERVICING

	Revenue			Operating profit		
	2012 £m	2012* £m	2011 £m	2012 £m	2012* £m	2011 £m
Six months to 31 October	13.2	14.3	17.7	1.2	1.3	0.4
*trading results of overseas subsidiaries converted at 2011 exchange rates						

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.

After substantial restructuring, the division is now considerably smaller than it was, and in the first half revenue was 19.6% lower than a year ago at constant currency. However, it is pleasing to report that a better level of profitability has been achieved following the restructuring.

As part of the restructuring plan, KIS moved a few years ago from their premises in Echirolles (France). Those premises were sold in October 2012, generating a £2.4m profit, incorporated in cost of sales. On the other hand, to face the decline of the minilab business, an additional provision of £1.9m has been booked against the stock of spare parts.

The operating background remains difficult, although the Group did continue to deliver a further 300 Pocketbook Makers to Mitsubishi and 100 Photobook Builders to Fuji. Sales of the new DKS4 minilab continue to be restrained by ongoing weakness in the photographic printing marketplace.

### STATEMENT OF FINANCIAL POSITION

Shareholders' equity at 31 October 2012 totalled £100.9 million (30 April 2012: £95.8 million), equivalent to 27.8 pence (30 April 2012: 26.4 pence) per share. The Group's net financial position continued to improve, reporting a net cash balance of £70.0 million at the end of the period (30 April 2012: £51.8 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:

#### Risks related to the economic backdrop

- Consumer spending contraction: the worldwide recession could lead to reductions in discretionary spending, impacting upon the Group's Operations revenues
- Volatility in foreign exchange rates: as the large majority of the Group's revenue and profits are generated outside of the UK, Group results could be adversely impacted when those currencies are translated into Sterling

#### Operational risk

- Reduction in the retail site-owner base: with the possible collapse of additional established retail chains, which traditionally have provided the base of sites for the Group's vending equipment, the Group could lose Operations revenue streams and the market for equipment in the Sales & Servicing activity could be reduced.

#### Risk related to regulation

- Centralisation of production of ID photos: in many European countries where the Group operates, if governments were to implement centralised image capture for biometric passport and other applications, the Group's Operations revenues and profits could be seriously affected.

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 2012

	Notes	<b>Unaudited 6 months to 31 October 2012 £'000</b>	Unaudited 6 months to 31 October 2011 £'000	Audited Year to 30 April 2012 £'000
<b>Revenue</b>	3	<b>107,393</b>	115,610	207,841
Cost of sales		<b>(79,153)</b>	(89,402)	(169,340)
Gross profit		<b>28,240</b>	26,208	38,501
Other operating income		<b>501</b>	577	1,194
Administrative expenses		<b>(8,690)</b>	(9,826)	(19,765)
Share of post-tax (losses)/profits from associates		<b>(16)</b>	77	89
<b>Operating profit</b>	3	<b>20,035</b>	17,036	20,019
Finance revenue		<b>156</b>	476	844
Finance cost		<b>(175)</b>	(463)	(723)
<b>Profit before tax</b>	3	<b>20,016</b>	17,049	20,140
<b>Total tax charge</b>	4	<b>(5,668)</b>	(5,200)	(5,594)
<b>Profit for the period</b>	3	<b>14,348</b>	11,849	14,546
<b>Other comprehensive income</b>				
Exchange differences arising on translation of foreign operations		<b>(538)</b>	904	(2,841)
Translation reserve taken to income statement on disposal		-	38	(12)
Actuarial movements in defined benefit obligations and other post-employment benefit obligations		-	-	(531)
Deferred tax on actuarial movements		<b>(11)</b>	(10)	118
<b>Other comprehensive (expense)/income (net of tax)</b>		<b>(549)</b>	932	(3,266)
<b>Total comprehensive income for the period</b>		<b>13,799</b>	12,781	11,280
<b>Profit for the period attributable to:</b>				
Owners of the Parent		<b>14,274</b>	11,740	14,349
Non-controlling interests		<b>74</b>	109	197
		<b>14,348</b>	11,849	14,546
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent		<b>13,737</b>	12,710	11,175
Non-controlling interests		<b>62</b>	71	105
		<b>13,799</b>	12,781	11,280
<b>Earnings per share</b>				
Basic earnings per share	6	<b>3.94p</b>	3.25p	3.97p
Diluted earnings per share	6	<b>3.93p</b>	3.23p	3.95p

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

**GROUP CONDENSED STATEMENT OF FINANCIAL POSITION**  
as at 31 October 2012

	Notes	<b>Unaudited 31 October 2012 £'000</b>	Unaudited 31 October 2011 £'000	Audited 30 April 2012 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	7	9,867	10,026	9,895
Other intangible assets	7	7,853	10,066	8,958
Property, plant and equipment	7	45,814	49,133	46,128
Investment property	7	907	1,457	1,147
Investments in associates		614	576	592
Other financial assets – held to maturity	8	2,101	2,347	2,176
– available-for-sale		79	78	80
Deferred tax assets		2,649	2,923	3,148
Trade and other receivables		1,650	1,886	1,473
		<b>71,534</b>	<b>78,492</b>	<b>73,597</b>
<b>Current assets</b>				
Inventories		12,472	20,227	16,931
Trade and other receivables		14,181	16,420	14,302
Other financial assets – held to maturity	8	213	14	213
– available-for-sale		4	18	5
Derivative financial asset		-	67	-
Current tax		33	205	19
Cash and cash equivalents	8	70,713	57,422	54,605
		<b>97,616</b>	<b>94,373</b>	<b>86,075</b>
<b>Total assets</b>		<b>169,150</b>	<b>172,865</b>	<b>159,672</b>
<b>Equity</b>				
Share capital		1,855	1,847	1,850
Share premium		6,184	5,809	5,873
Treasury shares		(5,802)	(5,802)	(5,802)
Other reserves		18,399	22,666	18,925
Retained earnings		80,254	72,632	74,994
<b>Equity attributable to owners of the Parent</b>		<b>100,890</b>	<b>97,152</b>	<b>95,840</b>
Non-controlling interests		1,063	966	1,001
<b>Total equity</b>		<b>101,953</b>	<b>98,118</b>	<b>96,841</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Financial liabilities	8	530	3,250	776
Post-employment benefit obligations		4,145	3,963	4,285
Provisions		78	83	77
Deferred tax liabilities		1,793	3,341	2,508
Trade and other payables		4,989	6,758	5,646
		<b>11,535</b>	<b>17,395</b>	<b>13,292</b>
<b>Current liabilities</b>				
Financial liabilities	8	2,494	5,461	4,386
Provisions		4,536	4,559	4,957
Current tax		8,334	7,850	5,368
Trade and other payables		40,298	39,482	34,828
		<b>55,662</b>	<b>57,352</b>	<b>49,539</b>
<b>Total equity and liabilities</b>		<b>169,150</b>	<b>172,865</b>	<b>159,672</b>

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 2012

	Notes	<b>Unaudited 6 months to 31 October 2012 £'000</b>	Unaudited 6 months to 31 October 2011 £'000	Audited Year to 30 April 2012 £'000
<b>Cash flows from operating activities</b>				
Profit before tax		20,016	17,049	20,140
Finance cost		175	463	723
Finance revenue		(156)	(476)	(844)
Operating profit		20,035	17,036	20,019
Share of post-tax losses/(profits) from associates		16	(77)	(89)
Amortisation of intangible assets		1,564	1,617	3,277
Depreciation of property, plant and equipment		8,225	11,092	20,737
Profit on sale of property, plant and equipment		(2,617)	(178)	(69)
Exchange differences		(259)	(180)	(905)
Other items		52	277	(1,010)
Changes in working capital:				
Inventories		4,287	364	2,650
Trade and other receivables		(933)	3,961	5,540
Trade and other payables		1,492	(8,042)	(8,894)
Provisions		(473)	58	1,170
Cash generated from operations		31,389	25,928	42,426
Interest paid		(174)	(378)	(649)
Taxation paid		(2,917)	(2,601)	(5,314)
<b>Net cash generated from operating activities</b>		<b>28,298</b>	<b>22,949</b>	<b>36,463</b>
<b>Cash flows from investing activities</b>				
Investment in associates		(32)	-	(62)
Investment in intangible assets		(557)	(1,506)	(2,477)
Purchase of property, plant and equipment		(8,360)	(8,521)	(15,865)
Proceeds from sale of property, plant and equipment		3,213	389	866
Purchase of available-for-sale investments		-	(1)	(387)
Proceeds from sale of available-for-sale investments		-	-	528
Interest received		156	193	434
Dividends received from associate		-	52	101
<b>Net cash utilised in investing activities</b>		<b>(5,580)</b>	<b>(9,394)</b>	<b>(16,862)</b>
<b>Cash flows from financing activities</b>				
Issue of Ordinary shares to equity shareholders		316	94	161
Repayment of capital element of finance leases		(84)	(230)	(643)
Repayment of borrowings		(2,010)	(8,181)	(11,148)
Decrease/(increase) in assets held to maturity		52	(505)	(433)
Dividends paid to owners of the Parent		(4,529)	(3,613)	(7,232)
Dividends paid to non-controlling interests		-	(40)	(39)
<b>Net cash utilised in financing activities</b>		<b>(6,255)</b>	<b>(12,475)</b>	<b>(19,334)</b>
<b>Net increase in cash and cash equivalents</b>		<b>16,463</b>	<b>1,080</b>	<b>267</b>
Cash and cash equivalents at beginning of the period		54,605	56,212	56,212
Exchange (loss)/gain on cash and cash equivalents		(355)	129	(1,874)
<b>Cash and cash equivalents at end of the period</b>	8	<b>70,713</b>	<b>57,421</b>	<b>54,605</b>

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 2012

	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
<b>At 1 May 2011</b>	1,844	5,718	(5,802)	2,430	19,256	64,374	87,820	935	88,755
<b>Profit for period</b>	-	-	-	-	-	11,740	11,740	109	11,849
<b>Other comprehensive income/(expense)</b>									
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)
<b>Total other comprehensive income/(expense)</b>	-	-	-	-	980	(10)	970	(38)	932
<b>Total comprehensive income for the period</b>	-	-	-	-	980	11,730	12,710	71	12,781
<b>Transactions with owners of the Parent</b>									
Shares issued in period	3	91	-	-	-	-	94	-	94
Share options	-	-	-	-	-	146	146	-	146
Dividends	-	-	-	-	-	(3,618)	(3,618)	(40)	(3,658)
<b>Total transactions with owners of the Parent</b>	3	91	-	-	-	(3,472)	(3,378)	(40)	(3,418)
<b>At 31 October 2011</b>	1,847	5,809	(5,802)	2,430	20,236	72,632	97,152	966	98,118
<b>At 1 May 2011</b>	1,844	5,718	(5,802)	2,430	19,256	64,374	87,820	935	88,755
<b>Profit for year</b>	-	-	-	-	-	14,349	14,349	197	14,546
<b>Other comprehensive (expense)/income</b>									
Exchange differences	-	-	-	-	(2,749)	-	(2,749)	(92)	(2,841)
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	-	(12)	-	(12)	-	(12)
Actuarial movement in defined benefit pension scheme and other post- employment benefit obligations	-	-	-	-	-	(531)	(531)	-	(531)
Deferred tax on actuarial movements	-	-	-	-	-	118	118	-	118
<b>Total other comprehensive expense</b>	-	-	-	-	(2,761)	(413)	(3,174)	(92)	(3,266)
<b>Total comprehensive (expense)/income for the year</b>	-	-	-	-	(2,761)	13,936	11,175	105	11,280
<b>Transactions with owners of the Parent</b>									
Shares issued in the period	6	155	-	-	-	-	161	-	161
Share options	-	-	-	-	-	302	302	-	302
Dividends	-	-	-	-	-	(3,618)	(3,618)	(39)	(3,657)
<b>Total transactions with owners of the Parent</b>	6	155	-	-	-	(3,316)	(3,155)	(39)	(3,194)
<b>At 30 April 2012</b>	1,850	5,873	(5,802)	2,430	16,495	74,994	95,840	1,001	96,841

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 2012

	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
<b>At 1 May 2012</b>	<b>1,850</b>	<b>5,873</b>	<b>(5,802)</b>	<b>2,430</b>	<b>16,495</b>	<b>74,994</b>	<b>95,840</b>	<b>1,001</b>	<b>96,841</b>
<b>Profit for period</b>	-	-	-	-	-	<b>14,274</b>	<b>14,274</b>	<b>74</b>	<b>14,348</b>
<b>Other comprehensive expense</b>									
Exchange differences	-	-	-	-	(526)	-	(526)	(12)	(538)
Deferred tax arising from a change in rate	-	-	-	-	-	(11)	(11)	-	(11)
<b>Total other comprehensive expense</b>	-	-	-	-	(526)	(11)	(537)	(12)	(549)
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	(526)	<b>14,263</b>	<b>13,737</b>	<b>62</b>	<b>13,799</b>
<b>Transactions with owners of the Parent</b>									
Shares issued in period	5	311	-	-	-	-	316	-	316
Share options	-	-	-	-	-	57	57	-	57
Dividends	-	-	-	-	-	(9,060)	(9,060)	-	(9,060)
<b>Total transactions with owners of the Parent</b>	<b>5</b>	<b>311</b>	-	-	-	<b>(9,003)</b>	<b>(8,687)</b>	-	<b>(8,687)</b>
<b>At 31 October 2012</b>	<b>1,855</b>	<b>6,184</b>	<b>(5,802)</b>	<b>2,430</b>	<b>15,969</b>	<b>80,254</b>	<b>100,890</b>	<b>1,063</b>	<b>101,953</b>

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 2012 (“the Interim Report”) were approved and authorised for issue by the Board of Directors on 6 December 2012.

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, business service equipment and laundry machines. 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 2012 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 2012 and 31 October 2011, together with the audited results to 30 April 2012. 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 2012. 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 2012 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 2012, 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 2013 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 2012 Annual Report. The effect of adopting new standards for the 2013 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 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.

The Group measures cash on a net cash basis as explained in note 8.

### **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 2012 and the Interim Report for the six months ended 31 October 2012 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 2012 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 2012 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 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, business service equipment and laundry machines.

(ii) Sales & Servicing: comprises the development, manufacture, sale and after-sale service of this operations 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 2013 it is expected that this pattern will continue.

### 3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
<b>6 Months to 31 October 2012</b>			
Total revenue	94,234	24,394	118,628
Inter-segment revenue	-	(11,235)	(11,235)
<b>Revenue from external customers</b>	<b>94,234</b>	<b>13,159</b>	<b>107,393</b>
<b>EBITDA</b>	<b>28,225</b>	<b>2,831</b>	<b>31,056</b>
<b>Depreciation and amortisation</b>	<b>(7,871)</b>	<b>(1,623)</b>	<b>(9,494)</b>
<b>Operating profit excluding associates</b>	<b>20,354</b>	<b>1,208</b>	<b>21,562</b>
Share of post-tax losses from associates			(16)
Corporate costs excluding depreciation and amortisation			(1,216)
Corporate depreciation and amortisation			(295)
<b>Operating profit</b>			<b>20,035</b>
Finance revenue			156
Finance costs			(175)
<b>Profit before tax</b>			<b>20,016</b>
Tax			(5,668)
<b>Profit for period</b>			<b>14,348</b>
Capital expenditure	8,319	572	8,891
Corporate capital expenditure			46
<b>Total capital expenditure</b>			<b>8,937</b>

### 3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
<b>6 months to 31 October 2011</b>			
Total revenue	97,895	29,632	127,527
Inter-segment revenue	–	(11,917)	(11,917)
<b>Revenue from external customers</b>	97,895	17,715	115,610
<b>EBITDA</b>	29,001	2,097	31,098
<b>Depreciation and amortisation</b>	(10,678)	(1,721)	(12,399)
<b>Operating profit excluding associates</b>	18,323	376	18,699
Share of post-tax profit from associates			77
Corporate costs excluding depreciation and amortisation			(1,430)
Corporate depreciation and amortisation			(310)
<b>Operating profit</b>			17,036
Finance revenue			476
Finance costs			(463)
<b>Profit before tax</b>			17,049
Tax			(5,200)
<b>Profit for period</b>			11,849
Capital expenditure	8,517	1,472	9,989
Corporate capital expenditure			47
<b>Total capital expenditure</b>			10,036

### 3 Segmental analysis (continued)

	Operations £'000	Sales & Servicing £'000	Total £'000
<b>Year to 30 April 2012</b>			
Total revenue	178,063	51,546	229,609
Inter-segment revenue	-	(21,768)	(21,768)
<b>Revenue from external customers</b>	<b>178,063</b>	<b>29,778</b>	<b>207,841</b>
<b>EBITDA</b>	<b>44,994</b>	<b>997</b>	<b>45,991</b>
<b>Depreciation and amortisation</b>	<b>(19,890)</b>	<b>(3,511)</b>	<b>(23,401)</b>
<b>Operating profit excluding associates</b>	<b>25,104</b>	<b>(2,514)</b>	<b>22,590</b>
Share of post-tax profit from associates			89
Corporate costs excluding depreciation and amortisation			(2,047)
Corporate depreciation and amortisation			(613)
<b>Operating profit</b>			<b>20,019</b>
Finance revenue			844
Finance costs			(723)
<b>Profit before tax</b>			<b>20,140</b>
Tax			(5,594)
<b>Profit for year</b>			<b>14,546</b>
Capital expenditure	15,943	2,337	18,280
Corporate capital expenditure			71
<b>Total capital expenditure</b>			<b>18,351</b>

## 4 Taxation

	6 months to 31 October 2012 £'000	6 months to 31 October 2011 £'000	Year to 30 April 2012 £'000
Profit before tax	20,016	17,049	20,140
Total taxation charge	5,668	5,200	5,594
Effective tax rate	28.3%	30.5%	27.8%

A number of changes to the UK Corporation tax system were announced in both the March 2012 and March 2011 UK Budget Statements. The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 and was substantively enacted at the balance sheet date. In addition there have been changes in the rates of Corporation tax in France and Japan and these have been reflected in the total taxation charges shown above.

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 2013. 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 23%. A further reduction to the main rate is proposed, to reduce the rate by 1% to 22% by 1 April 2014. This further change has not been substantively enacted at the balance sheet date and therefore, is not included in this interim consolidated financial information.

## 5 Dividends

### Year ending 30 April 2013

The Board has declared an interim dividend of 1.5p per share for the year ending 30 April 2013, to be paid on 7 May 2013 to shareholders on the register at 2 April 2013.

### Year ended 30 April 2012

The Board declared an interim dividend of 1.25p per share for the year ended 30 April 2012, which was paid on 8 May 2012. The Board proposed a final dividend of 1.25p per share, which was approved at the Annual General Meeting held on 13 September 2012 and was paid on 7 November 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. 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.

## 6 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 2012	6 months to 31 October 2011	Year to 30 April 2012
Basic earnings per share	3.94p	3.25p	3.97p
Diluted earnings per share	3.93p	3.23p	3.95p
Earnings available to Ordinary shareholders (£'000)	14,274	11,740	14,349
Weighted average number of shares in issue in the period			
– basic ('000)	362,574	361,657	361,840
– including dilutive share options ('000)	363,465	364,029	363,760



## 7 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 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
Net book value at 1 May 2011	10,093	10,368	50,847	1,749
Exchange adjustment	(198)	(609)	(298)	(121)
Additions				
– photobooths and vending machines	-	-	15,792	-
– research and development costs	-	2,169	-	-
– other additions	-	308	842	-
Depreciation provided in the period	-	(3,277)	(20,256)	(481)
Net book value of disposals	-	(1)	(799)	-
Net book value at 30 April 2012	9,895	8,958	46,128	1,147
Net book value at 1 May 2012	9,895	8,958	46,128	1,147
Exchange adjustment	(28)	(98)	(96)	(17)
Additions				
– photobooths and vending machines	-	-	8,018	-
– research and development costs	-	506	-	-
– other additions	-	51	362	-
Depreciation provided in the period	-	(1,564)	(8,002)	(223)
Net book value of disposals	-	-	(596)	-
Net book value at 31 October 2012	9,867	7,853	45,814	907

## 8 Net cash

	31 October 2012 £'000	31 October 2011 £'000	30 April 2012 £'000
Cash and cash equivalents per the statement of financial position	70,713	57,422	54,605
Financial assets - held to maturity	2,314	2,361	2,389
Bank overdrafts	-	(1)	-
Non-current instalments due on bank loans	(463)	(3,090)	(685)
Current instalments due on bank loans	(2,402)	(5,190)	(4,256)
Non-current finance leases	(67)	(160)	(91)
Current finance leases	(92)	(270)	(130)
Net cash	70,003	51,072	51,832

At 31 October 2012 £2,314,000 (31 October 2011: £2,361,000, 30 April 2012: £2,389,000) of the total net cash comprised bank deposit accounts 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.

The tables below, which are not currently required by IFRS, reconcile the Group's net cash to the Group's statement of cash flows. Management believes the presentation of the tables will be of assistance to shareholders.

	1 May 2011 £'000	Exchange difference £'000	Other movements £'000	Cash flow £'000	31 October 2011 £'000
Cash and cash equivalents per statement of financial position	56,212	129	-	1,081	57,422
Financial assets – held to maturity	1,871	(15)	-	505	2,361
Bank overdraft	-	-	-	(1)	(1)
Loans	(16,768)	307	-	8,181	(8,280)
Leases	(636)	(24)	-	230	(430)
<b>Net cash</b>	<b>40,679</b>	<b>397</b>	<b>-</b>	<b>9,996</b>	<b>51,072</b>

	1 May 2011 £'000	Exchange difference £'000	Other movements £'000	Cash flow £'000	30 April 2012 £'000
Cash and cash equivalents per statement of financial position and cash flow	56,212	(1,874)	-	267	54,605
Financial assets – held to maturity	1,871	(115)	200	433	2,389
Loans	(16,768)	900	(221)	11,148	(4,941)
Leases	(636)	(3)	(225)	643	(221)
<b>Net cash</b>	<b>40,679</b>	<b>(1,092)</b>	<b>(246)</b>	<b>12,491</b>	<b>51,832</b>

	1 May 2012 £'000	Exchange difference £'000	Other movements £'000	Cash flow £'000	31 October 2012 £'000
Cash and cash equivalents per statement of financial position and cash flow	54,605	(355)	-	16,463	70,713
Financial assets – held to maturity	2,389	(23)	-	(52)	2,314
Loans	(4,941)	66	-	2,010	(2,865)
Leases	(221)	(2)	(20)	84	(159)
<b>Net cash</b>	<b>51,832</b>	<b>(314)</b>	<b>(20)</b>	<b>18,505</b>	<b>70,003</b>

## 9 Related parties

The Group's significant related parties are disclosed in the 2012 Annual Report and include its associates, its pension funds and the Company's Directors. During the 6 months to 31 October 2012, there were no new related parties and no additional related party transactions have taken place that have materially affected the financial position or performance of the Group. In addition there were no material changes in the nature and relationship of transactions with related parties to those identified in the 2012 Annual Report.

## **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)

6 December 2012

## 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 2012 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 2012 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

6 December 2012

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 2012.

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 Interim Report is released to the London Stock Exchange. It may be viewed and downloaded from the Company's Investor Relations section on the website [www.photo-me.co.uk](http://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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