Photo-Me

10 July 2018

PHOTO-ME INTERNATIONAL PLC
("Photo-Me" or "the Group")

RESULTS FOR THE YEAR ENDED 30 APRIL 2018

Investment in Laundry continues to drive growth

Photo-Me International plc (PHTM.L), the instant-service equipment group, announces its results for the year ended 30 April 2018.

RESULTS HIGHLIGHTS:

	Reported			At constant currency	
	2018	**2017**	**Change**	**2017[1]**	**Change[1]**
Revenue	£229.8m	£214.7m	+7.1%	£216.9m	+5.9%
EBITDA (excluding associates)	£71.0m	£69.0m	+2.8%	£70.4m	+1.0%
Underlying profit before tax[2]	£46.8m	£46.6m	+0.3%	£47.5m	-1.6%
Reported profit before tax	£50.2m	£48.0m	+4.4%	£49.0m	+2.5%
Profit after tax	£40.3m	£35.1m	+14.7%		
Net cash [3]	£26.7m	£39.2m	-31.9%		
Earnings per share (diluted)	10.60p	9.27p	+14.2%		
Total dividend per share	8.44p	7.03p	+20.0%		

[1] 2017 trading results of overseas subsidiaries converted at 2018 exchange rates.

[2] Underlying profit before tax is 2018 profit before tax adjusted to exclude the gain on the Group's shareholding in Max Sight Group Holdings Limited, the profit on disposal of the former head office building, and restructuring fees relating Photo-Me Retail. 2017 profit before tax is adjusted to exclude the translation reserve taken to profit on disposal of subsidiaries.

[3] Refer to note 7 for the reconciliation of Net Cash to Cash and cash equivalents as per the financial statements.
All percentage change figures are calculated from actual figures in the financial statements as opposed to the rounded figures included in the above table.

FINANCIAL HIGHLIGHTS

- Revenues up 7.1% at £229.8 million driven by continued growth in **Identification** and rapid expansion of **Laundry.** At constant currency, growth was 5.9%.

- EBITDA up 2.8% at £71.0 million, reflecting investment in strategic acquisitions and organic growth, and favourable euro to sterling exchange rates in 2018. EBITDA margin was 30.9%.

- Underlying profit before tax increased by 0.3%, and at constant currency declined by 1.6%.

- Reported profit before tax was £50.2 million, up 4.4% and at constant currency was up 2.5%, profit margin was 21.8% as percentage of sales.

- Profit after tax up 14.7%, supported by a reduction of Photo-Me's effective tax rate to 19.7% (2017: 26.9%).

- Net cash position of £26.7 million after distribution of £26.5 million dividends and investment in future growth, with 35% of capex spent on the ongoing expansion of Laundry.

- Total Ordinary dividend increased by 20% to 8.44 pence per share.

OPERATIONAL HIGHLIGHTS

- Continued revenue growth in all of Photo-Me's territories, apart from Japan.

- Continued rapid growth of higher margin **Laundry** business, with revenue growth of 69% and contributing 16% of total Group revenue. (2017: 10%).

- **Identification** continuing to deliver profit growth and strong cashflow:
    - Rollout of secure upload passport ID technology launched with HMPO in the UK (2,200 booths upgraded at 30 April 2018).
    - Continued rollout of secure upload solution in partnership with governments in France, Ireland and Germany, and discussions ongoing with the Dutch government.

- **Kiosks** continue to deliver revenue growth: 24.1%
    - Refocus of Photo-Me Retail completed, with improved profitability already achieved.

- Restructuring of Japanese subsidiary expected to improve profitability in FY2019 and beyond.

Commenting on the results, Serge Crasnianski, CEO, said:

"2018 has been another year of good operational progress, reflected in revenue growth of 7.1%, 4.4% growth in PBT, including a one-off gain on the Group's shareholding in Max Sight Holdings Limited, and double-digit EPS growth. Revenue in our Laundry business rose 69% in the year, and we expect that these operations will contribute an increasingly dominant share to Group profits as we capitalise on the significant expansion opportunities in our markets. Our Identification business continues to perform well as we focus on government partnerships for the adoption of our secure ID upload technology in new countries.

"Supported by steady cash flows from our global, market-leading photobooth estate, the Group will remain focused on investing in new and complementary products to drive further profitability and extend the suite of services available through our established instant-service equipment network. We remain confident for the future."

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An audio webcast of the analyst and investor presentation will be available to download later today at www.photo-me.com.

An interview with Serge Crasnianski, CEO, and Stephane Gibon, CFO, commenting on the final results is available to view at www.photo-me.com or available here.

NOTES TO EDITORS

Photo-Me International plc (LSE: PHTM) operates, sells and services a wide range of instant-service vending equipment, primarily aimed at the consumer market.

The Group operates approximately 47,000 vending units across 18 countries and its technological innovation is focused on three principal areas:

- Identification: photobooths and integrated biometric identification solutions
- Laundry: unattended laundry services, launderettes, B2B services
- Kiosks: high-quality digital printing

In addition, the Group operates vending equipment such as children’s rides, amusement machines and business service equipment.

Whilst the Group both sells and services this equipment, the vast majority of units are operated and maintained by Photo-Me. Photo-Me pays the site owner a commission based on turnover, which varies depending on the country and location of the machine.

The Group has built long-term relationships with major site owners and its equipment is generally sited in prime locations in areas of high footfall such as supermarkets, shopping malls (indoors and outdoors) and public transport venues. The equipment is maintained and serviced by an established network of 700 field engineers.

The Company's shares have been listed on the London Stock Exchange since 1962.

CHAIRMAN'S STATEMENT

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

Results

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

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

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

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

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

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

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

Strategy

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

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

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

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

Restructuring of Japanese subsidiary

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

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

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

Dividends

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

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

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

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

The Board

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

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

Colleagues

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

Current trading and outlook

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

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

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

The Board remain confident about the Group’s prospects.

John Lewis
Non-executive Chairman
10 July 2018

BUSINESS REVIEW

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

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

Execution of our strategy

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

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

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

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

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

Overview by principal business area

- ***Identification*** *(photobooths and integrated biometric identification solutions)*

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

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

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

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

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

- ***Laundry*** *(unattended laundry services, launderettes, B2B services)*

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

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

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

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

Our Laundry business is comprised of three areas of operation: Revolution, Launderette, and business-to-business laundry services.

Revolution is our 24-hour, outdoor, self-service laundry unit which is typically located in high-footfall sites such as supermarket car parks or petrol station forecourts. The Revolution unit comprises two larger washers and a dryer and is manufactured in $10m^2$ and $5m^2$ footprints, providing flexibility in different locations and the demands of different geographic markets. Our *Revolution* growth strategy is to expand the estate through our partnerships with strategic site owners globally and identify and expand into new high-demand markets.

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

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

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

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

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

We have made good progress in the year, with the acquisition of two B2B laundry service businesses in the UK to complement our existing offer provided through Fowler UK (acquired in 2016). Inox Equip Ltd. and Tersus Ltd, two companies that design, procure and lease laundry and catering equipment to businesses and institutions, were acquired by the Group in July 2017.

The profit of the Group's B2B laundry services amounted to £1.3 million for the year ended 30 April 2018. We continue to seek out further B2B acquisition opportunities, with a focus on Continental Europe.

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

- ***Kiosks*** *(high-quality digital printing services)*

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

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

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

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

Other vending equipment

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

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

REVIEW OF PERFORMANCE BY GEOGRAPHY

The commentaries on the financial performance of the business are set out below in line with the segments as operated by the Board and the management of Photo-Me and is consistent with the information prepared to support the Board decision process. Although the Company organisation is not based on product lines, some commentary below relates to the performance of specific products in the relevant territories.

Key financials

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

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

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

	Segment revenue Year to 30 April				**Segment operating profit Year to 30 April**			
	2018 £m	2017 £m	**Change[2] %**	2017[1] £m	**2018 £m**	2017 £m	**Change[2] %**	2017[1] £m
Continental Europe	121.1	111.7	8.5%	116.3	31.9	33.9	(5.8)%	35.3
UK & Republic of Ireland	63.7	53.6	18.8%	53.8	10.4	7.3	42.5%	7.3
Asia	45.0	49.4	(8.8)%	46.8	5.4	8.4	(35.7)%	8.0
	229.8	214.7	7.1%	216.9	47.7	49.6	(3.8)%	50.6
Corporate costs					(1.6)	(2.8)		(2.9)
					46.1	46.8		47.7

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

Vending units in operations

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

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

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

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

Continental Europe

Financial performance

Continental Europe has continued to deliver good revenue growth during the year, up 8.5% to £121.1 million, driven by the roll out of our laundry operations, particularly in France, Portugal and Spain. Operating profit reduced by 5.8% to £31.9 million, due mainly to an increase in costs in this financial year. Our research and development department is focused at the moment on important long term products (3D identification as well as self-service banking) which are not mature and therefore are not a growth driver yet.

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

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

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

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

Strategic progress

Identification

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

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

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

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

Laundry

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

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

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

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

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

Kiosks

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

UK & Republic of Ireland (including Corporate)

Financial performance

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

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

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

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

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

Much of our laundry expansion has been focused in Ireland, and the results have been very encouraging with a 52% increase in new Revolution machines installed and a corresponding 66.7% increase in revenue.

At 30 April 2018, 25.8% of the Group’s total units in operation were sited in the UK & Republic of Ireland (2017: 27.7%). This equates to a total of 12,055 units (2017: 13,287), of which 6,313 were photobooths

(2017: 6,600), 446 were operated Revolution units, an increase of 62.8% year-on-year (2017: 274), and 639 digital printing kiosks, a decrease due to the Photo-Me Retail restructure (2017: 992).

Strategic progress

Identification

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

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

Laundry

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

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

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

Kiosks

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

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

Asia

Financial performance

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

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

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

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

Strategic progress

Identification

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

The Board plans to restructure its operations in Japan and re-align activities to current market conditions. Further details are set out in the Chairman's statement on pages 4 to 6.

Laundry

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

Key Performance Indicators

The Group measures its performance using a mixture of financial and non-financial indicators. The main objective of these KPIs is to ensure the Group remains highly cash generative, delivers sustained long-term profitability, preserves the value of its assets, and provides high returns to shareholders.

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

Investment in innovation

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

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

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

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

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

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

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

Our team

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

Eric Mergui, Chief Operating Officer, was appointed to the Board of Directors in May 2018, after the period end.

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

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

I would like to take this opportunity to thank all the teams who have worked for the Group during the year and contributed to these results which have been achieved, despite the industry-wide challenges of the Japanese identification market.

Future Prospects

Looking ahead, the Group will remain focused on driving profitability from our existing estate and investing in new and complementary products to extend the suite of services available through our established instant-service equipment network. We remain confident for the future.

FINANCIAL REVIEW

Financial performance

The Group performed well in the financial year.

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

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

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

The movements in turnover are outlined in the following table:

	£m
Turnover at 30 April 2017	214.7
Change in core business revenue:	
Continental Europe	4.9
UK & Ireland	9.9
Asia	(1.9)
Impact of exchange rates	2.2
Turnover at 30 April 2018	**229.8**

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

	£m
Profit before tax at 30 April 2017	48.0
Effect of acquisitions	0.8
Changes in revenue	7.3
Changes in costs	(9.3)
Restructuring costs	(2.6)
Profit on sale of former head office	2.3
Increase in net finance income & other gains (Max Sight gain, £3.7m)	2.8
Impact of exchange rates	0.9
Profit before tax at 30 April 2018	**50.2**

Review of operating costs

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

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

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

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

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

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

	April 2018 £m	April 2017 £m	April 2017 (constant rate) £m
Staff costs	**51.7**	50.1	50.6
Inventory costs	**23.6**	13.5	13.8
Other operating costs	**85.9**	82.7	83.1
	161.2	146.3	147.5
Depreciation and amortisation	**25.1**	22.4	22.8
Profit on disposal of fixed assets	**(2.4)**	(0.9)	(0.9)
Operating costs	**183.9**	167.8	169.4

Registered office

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

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

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

Earnings per share

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

Taxation

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

The Group undertakes business in 18 countries worldwide, with most of the tax charge arising in France, Japan and the United Kingdom. In each jurisdiction in which the Group operates, operations are organised so that the Group pays the appropriate amount of tax at the right time in accordance with local regulations, and ensures compliance with the Group's tax policy and guidelines.

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

Dividends

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

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

Statement of Financial position

The Group balance sheet can be summarised as follows:

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

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

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

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

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

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

Cash flow and net cash position

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

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

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

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

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

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

	Cash and deposits £m	**Borrowings £m**	**Net Cash £m**
Balance at 30 April 2017	49.8	(10.6)	39.2
Cash flow	11.0	(22.6)	(11.6)
Non-cash movements	(0.4)	(0.5)	(0.9)
Balance at 30 April 2018	60.4	(33.7)	26.7

Auditor

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

Serge Crasnianski
Chief Executive Officer & Deputy Chairman
10 July 2018

PRINCIPAL RISKS

Similar to any business, the Group faces risks and uncertainties that could impact the achievement of the Group's strategy. These risks are accepted as inherent to the Group's business. The Board recognises that the nature and scope of these risks can change and so regularly reviews the risks faced by the Group as well as the systems and processes to mitigate them.

The table below sets out what the Board believes to be the principal risks and uncertainties, their impact, and actions taken to mitigate them.

Nature of the risk	Description and impact	Mitigation
Economic		
Global economic conditions	Economic growth has a major influence on consumer spending. A sustained period of economic recession could lead to a decrease in consumer expenditure in discretionary areas.	The Group focuses on maintaining the characteristics and affordability of its needs-driven products
Volatility of foreign exchange rates	The majority of the Group's revenue and profit is generated outside the UK, and the Group results could be adversely impacted by an increase in the value of sterling relative to those currencies.	The Group hedges its exposure to currency fluctuations on transactions, as relevant. However, by its nature, in the Board's opinion, it is very difficult to hedge against currency fluctuations arising from translation in consolidation in a cost-effective manner.
Regulations		
Centralisation of production of ID photos	In many European countries where the Group operates, if governments were to implement centralised image capture, for biometric passport and other applications or widen the acceptance of self-made or home-made photographs for official document applications, the Group's revenues and profits could be affected.	The Group has developed new systems that respond to this situation, leveraging 3D technology in ID security standards, and securely linking our booths to the administration repositories (solutions in place in France, Ireland, Germany, Switzerland and the UK, discussions in Belgium and Holland). Furthermore, the Group also ensures that its ID products remain affordable and of high quality.
Brexit	The UK's referendum decision to leave the EU ("Brexit") will most probably lead to changes in regulations in the UK as well as modifications to numerous arrangements between the UK and other members of the EU, affecting trade and customs conditions, taxation, movements of resources, etc.	The Board is keeping the potential impacts of the referendum decision to leave the EU on all the Group's operations under review. Any potential developments, including new information and policy indications from the UK government and the EU, will be looked at carefully on a continual basis with a view to enhancing the ability to take appropriate action targeted at managing and where possible minimising any adverse repercussions of Brexit.

		The specific impact of Brexit on the Group will depend on the details of the conditions of the break-up to be negotiated between the UK and the European Union. The Board foresees that in the short term the negative impact of the uncertainty overshadowing the general UK economy could also spill over into the Group's UK operations. In the long term, potential 're-nationalisation' of UK identity documents (including the conversion of the EU burgundy passports to the navy blue British version) as well as strengthened immigration regulations, could lead to increased requests for the Group's secure identification products.
Business rates	Since early 2015, the Valuation Office Authority has been issuing significantly increased assessments for some of the Company's estate, mainly photobooths and printing kiosks, and in some instances applying rates that the Company considers unreasonable. The census campaign led by the Government is part of the well-publicised strategy to systematically increase the amount of tax collected through business rates. The business tax risk is limited to the Company's operations in the UK. The Company has expensed the cost of the tax charge as reasonably estimated.	The Company has engaged advisers to reduce its exposure to business rates. The Company has received advice that the vast majority of the affected estate should not be subject to business rates, and therefore it has systematically appealed before the Valuation Tribunal the assessments received, while negotiating with the authorities to reduce that exposure. The Company believes that following the latest decision by the Upper Tribunal on 12 April 2017 in the ATM case, the risk should be capable of successful mitigation. Discussions are ongoing with the Valuation Office Agency on this matter.
Strategic		
Identification of new business opportunities	Failure to identify new business areas may impact the ability of the Group to grow in the long term.	Management teams constantly review demand in existing markets and potential new opportunities. The Group continues to invest in research in new products and technologies.
Inability to deliver anticipated benefits from the launch of new products	The realisation of long-term anticipated benefits depends mainly upon the continued growth of the laundry business and the successful development of integrated secure ID solutions.	The Group regularly monitors the performance of its entire estate of machines. New technology enabled secure ID solutions are heavily trialled before launch and the performance of operating machines is continually monitored.
Market		

Commercial relationships	The Group has well-established long-term relationships with a number of site-owners. The deterioration in the relationship with, or ultimately the loss of, a key account would have an adverse albeit contained impact on the Group's results, bearing in mind that the Group's turnover is spread over a large client base and none of the accounts represent more than 1% of Group turnover.	The Group's major key relationships are supported by medium-term contracts. We actively manage our site-owner relationships at all levels to ensure a high quality of service.
Operational		
Reliance on foreign manufacturers	The Group sources most of its products from outside the UK. Consequently, the Group is subject to risks associated with international trade.	Extensive research is conducted into quality and ethics before the Group procures products from any new country or supplier. The Group also maintains very close relationships with both its suppliers and shippers to ensure that risks of disruption to production and supply are managed appropriately.
Reliance on one single supplier of consumables	The Group currently buys all its paper for photobooths from one single supplier. The failure of this supplier could have a significant adverse impact on paper procurement.	The Board has decided to hold a strategic stock of paper, allowing for 6 to 10 months' worth of paper consumption, to allow enough time to put in place alternative solutions.
Reputation	The Group's brands are key assets of the business. Failure to protect the Group's reputation and brands could lead to a loss of trust and confidence. This could result in a decline in the customer base.	The protection of the Group's brands in its core markets is sustained by products with certain unique features. The appearance of the machine is subject to high maintenance standards. Furthermore, the reputational risk is diluted as the Group also operates under a range of brands.
Product and service quality	The Board recognises that the quality and safety of both its products and services is of critical importance and that any major failure will affect consumer confidence.	The Group continues to invest in its existing estate, to ensure that it remains contemporary, and in constant product innovation to meet customer needs. The Group also has a programme in place to regularly train its technicians.
Technological		
Failure to keep up with advances in technology	The Group operates in fields where upgrades to new technologies are mission-critical.	The Group mitigates this risk by continually focusing on R&D.
Cyber risk: third party attack on our secure ID data transfer feeds	The Group operates an increasing number of photobooths capturing ID data and transferring these data it directly to governmental databases	The Group performs an ongoing assessment of the risks and ensures that the infrastructure meets the security requirements.

Group Statement of Comprehensive Income

for the year ended 30 April 2018

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

Group statement of Financial Position

For the year ended 30 April 2018

	2018 £'000	2017 £'000
Assets		
Non-current assets		
Goodwill	**13,435**	11,812
Other intangible assets	**13,960**	13,451
Property, plant & equipment	**92,556**	74,989
Investment property	**676**	662
Investment in associates	**1,583**	2,095
Other financial assets - held to maturity	**1,710**	2,389
Other financial assets - available for sale	**4,286**	81
Deferred tax assets	**1,935**	3,641
Trade and other receivables	**2,116**	2,025
	132,257	111,145
Current assets		
Inventories	**22,902**	19,418
Trade and other receivables	**20,613**	18,542
Current tax	**4,480**	288
Cash and cash equivalents	**58,657**	47,505
	106,652	85,753
Assets held for sale	**-**	96
Total assets	**238,909**	196,994
Equity		
Share capital	**1,887**	1,882
Share premium	**10,366**	8,999
Translation and other reserves	**13,193**	13,249
Retained earnings	**117,811**	103,831
Equity attributable to owners of the Parent	**143,257**	127,961
Non-controlling interests	**1,553**	1,341
Total equity	**144,810**	129,302
Liabilities		
Non-current liabilities		
Financial liabilities	**27,540**	8,192
Post-employment benefit obligations	**5,524**	5,456
Deferred tax liabilities	**2,671**	3,087
Trade and other payables	**224**	2,310
	35,959	19,045
Current liabilities		
Financial liabilities	**6,139**	2,490
Provisions	**196**	2,072
Current tax	**8,307**	4,209
Trade and other payables	**43,498**	39,876
	58,140	48,647
Total equity and liabilities	**238,909**	196,994

Group statement of Cash Flows

For the year ended 30 April 2018

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

Group statement of Changes in Equity

For the year ended 30 April 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Translation reserve £'000	Retained earnings £'000	Attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
At 1 May 2016	1,877	8,156	1,874	8,633	101,101	121,641	1,109	122,750
Profit for year	-	-	-	-	34,991	34,991	147	35,138
Other comprehensive (expense)/income								
Exchange differences	-	-	-	3,192	-	3,192	85	3,277
Tax on exchange	-	-	-	1,058	-	1,058	-	1,058
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	(1,415)	-	(1,415)	-	(1,415)
Transfers between reserves	-	-	(93)	-	93	-	-	-
Remeasurement losses in defined benefit pension scheme and other post-employment benefit obligations	-	-	-	-	(48)	(48)	-	(48)
Deferred tax on remeasurement gains	-	-	-	-	21	21	-	21
Total other comprehensive (expense)/income	-	-	(93)	2,835	66	2,808	85	2,893
Total comprehensive (expense)/income	-	-	(93)	2,835	35,057	37,799	232	38,031
Transactions with owners of the Parent								
Shares issued in the period	5	843	-	-	-	848	-	848
Share options	-	-	-	-	296	296	-	296
Deferred tax on share options	-	-	-	-	6	6	-	6
Dividends	-	-	-	-	(32,629)	(32,629)	-	(32,629)
Total transactions with owners of the Parent	5	843	-	-	(32,327)	(31,479)	-	(31,479)
At 30 April 2017	1,882	8,999	1,781	11,468	103,831	127,961	1,341	129,302
At 1 May 2017	**1,882**	**8,999**	**1,781**	**11,468**	**103,831**	**127,961**	**1,341**	**129,302**

Profit for year	**-**	**-**	**-**	**-**	**40,134**	**40,134**	**152**	**40,286**
Other comprehensive (expense)/income								
Exchange differences	**-**	**-**	**-**	**158**	**-**	**158**	**60**	**218**
Tax on exchange	**-**	**-**	**-**	**(12)**	**-**	**(12)**	**-**	**(12)**
Translation reserve taken to income statement on disposal of subsidiaries	**-**	**-**	**-**	**(202)**	**-**	**(202)**	**-**	**(202)**
Remeasurement losses in defined benefit pension scheme and other post-employment benefit obligations	**-**	**-**	**-**	**-**	**150**	**150**	**-**	**150**
Deferred tax on remeasurement gains	**-**	**-**	**-**	**-**	**(23)**	**(23)**	**-**	**(23)**
Total other comprehensive (expense)/income	**-**	**-**	**-**	**(56)**	**127**	**71**	**60**	**131**
Total comprehensive (expense)/income	**-**	**-**	**-**	**(56)**	**40,261**	**40,205**	**212**	**40,417**
Transactions with owners of the Parent								
Shares issued in the period	**5**	**1,367**	**-**	**-**	**-**	**1,372**	**-**	**1,372**
Share options	**-**	**-**	**-**	**-**	**197**	**197**	**-**	**197**
Dividends	**-**	**-**	**-**	**-**	**(26,478)**	**(26,478)**	**-**	**(26,478)**
Total transactions with owners of the Parent	**5**	**1,367**	**-**	**-**	**(26,281)**	**(24,909)**	**-**	**(24,909)**
At 30 April 2018	**1,887**	**10,366**	**1,781**	**11,412**	**117,811**	**143,257**	**1,553**	**144,810**

NOTES

1 Basis of preparation and accounting policies
The preliminary results for the year ended 30 April 2018 have been extracted from the audited consolidated financial statements, which were approved by the Board of Directors on 10 July 2018. 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.

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 2017 or 2018 but is derived from those accounts. Statutory accounts for 2017 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).

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 Rule 6.3 of the Disclosures and Transparency Rules (DTR).

2 Segmental analysis

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

The CODM monitors performance at the underlying operating profit level before Specific items, interest and taxation. In accordance with IFRS 8, no segment information is provided for assets and liabilities in the disclosures below, as this information is not regularly provided to the Chief Operating Decision Maker.

The segment results are as follows:

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

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

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

Inter segment revenue mainly relates to sales of equipment.

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

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

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

3 Taxation

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

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

4 Earnings per share

Basic earnings per share amounts are calculated by dividing net earnings attributable to shareholders of the Parent of £40,134,000 (2017: £34,991,000) by the weighted average number of shares in issue during the year, excluding those held, where applicable, as treasury shares.

Diluted earnings per share amounts are calculated by dividing the net earnings attributable to shareholders of the Parent by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all the dilutive potential shares into shares. The Group has only one category of dilutive potential shares: the share options granted to senior staff, including directors.

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

	2018			2017		
	Earnings £'000	**Weighted average number of shares '000**	**Earnings per share pence**	Earnings £'000	Weighted average number of shares '000	Earnings per share pence
Basic earnings per share	**40,134**	**377,190**	**10.64**	34,991	376,141	9.30
Effect of dilutive share options		**1,555**	**(0.04)**		1,321	(0.03)
Diluted earnings per share	**40,134**	**378,745**	**10.60**	34,991	377,462	9.27

Potential shares (for example, arising from exercising share options) are treated as dilutive only when their conversion to shares would decrease basic earnings per share or increase loss per share from continuing operations.

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

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

5 Dividends
Year ended 30 April 2018 – Proposed dividends not yet paid
The Board declared an interim dividend of 3.71p per share for the year ended 30 April 2018, amounting to £14,005,000 which was paid on 11 May 2018. The Board proposes a final dividend for the year ended 30 April 2018 of 4.73p per share, which is subject to shareholder approval at the Annual General Meeting to be held on 24 October 2018.

Year ended 30 April 2017 – Paid after 30 April 2017
The Board declared an interim dividend of 3.09p per share for the year ended 30 April 2017, amounting to £11,633,000 which was paid on 11 May 2017. The Board proposed a final dividend for the year ended 30 April 2017 of 3.94p per share, which as approved by shareholders at the Annual General Meeting held on 25 October 2017.

6 Non-current assets

	Goodwill £ '000	Intangible assets £ '000	Property, plant & equipment £ '000	Investment property £ '000
Net book value at 1 May 2016	11,606	8,706	56,094	629
Exchange differences	206	548	3,945	48
Additions – photobooths and vending equipment	-	-	33,789	-
Additions – other assets	-	6,686	3,001	-
Amortisation	-	(2,479)	-	-
Depreciation	-	-	(19,933)	(15)
Disposals at net book value	-	(10)	(1,907)	-
Net book value at 30 April 2017	**11,812**	**13,451**	**74,989**	**662**
Exchange differences	**69**	**261**	**1,596**	**30**
Additions – photobooths and vending equipment	**-**		**34,164**	**-**
Additions – other assets	**-**	**3,218**	**6,295**	**-**
Additions – new subsidiaries	**1,554**		**29**	**-**
Amortisation	**-**	**(2,768)**		**-**
Depreciation	**-**		**(22,285)**	**(16)**
Disposals at net book value	**-**	**(201)**	**(2,232)**	**-**
Net book value at 30 April 2018	**13,435**	**13,961**	**92,556**	**676**

7 Net cash

	2018 £'000	2017 £'000
Cash and cash equivalents per statement of financial position	**58,657**	47,505
Financial assets held to maturity	**1,710**	2,389
Non-current instalments due on bank loans	**(27,319)**	(7,894)
Current instalments due on bank loans	**(6,006)**	(2,344)
Non-current finance leases	**(221)**	(298)
Current finance leases	**(133)**	(146)
	26,688	39,212

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 instalments on loans and other borrowings.

At 30 April 2018, £1,710,000 of the total net cash (2017: £2,389,000) comprised bank deposit accounts that are subject to restrictions and are not freely available for use by the Group and Company. These amounts are shown under financial assets held to maturity.

By order of the Board

John Lewis
Chairman
10 July 2018

Serge Crasnianski
Chief Executive Officer

Publication of the audited financial statements

Copies of the Report and Accounts for the year ended 30 April 2018 will be mailed to those shareholders who have opted to receive them, by the end of August and will be available from the Company's registered office at Unit 3B Blenheim Road, Epsom, Surrey KT19 9AP (telephone: 01372-453 399, fax: 01372-459 064, email: ir@photo-me.com) and the Company's website (http://investor.photo-me.com/financial-info/#reports) after that date.