

Photo-Me

11 December 2017

Photo-Me International plc
("Photo-Me" or "the Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

Solid first half as laundry remains primary growth accelerator

Photo-Me International plc ("Photo-Me" or "the Group"), the instant service equipment group, announces its results for the six-month period ended 31 October 2017.

Results Highlights

	Reported			At constant currency	
	Six months ended 31 Oct 2017	Six months ended 31 Oct 2016	Change	Six months ended 31 Oct 2016 ¹	Change ¹
Revenue	£122.2 m	£110.6m	+10.5%	£113.4 m	+7.8%
EBITDA ²	£44.9 m	£40.3m	+11.4%	£41.6 m	+7.9%
Profit Before Tax	£32.9 m	£31.0m	+6.1 %	£31.9 m	+3.1%
Net Cash ³	£47.1 m	£68.0m	(30.7) %		
EPS (diluted)	6.40p	5.84p	+9.6 %		
Interim dividend per Ordinary share	3.71p	3.09p	+20.1 %		

¹ For constant currency comparatives, average rates of exchange used were £/€ 1.13 (H1 2017: 1.20), £/Yen 145 (H1 2017: 139)

² Refer to the note 3 to the financial statements for the reconciliation of EBITDA to PBT

³ Refer to the note 8 to the financial statements for the reconciliation of Net Cash to Cash and cash equivalents as per the financial statements

Financial Highlights

- Revenue was up 10.5% to £122.2 million (up 7.8% at constant currency)
- Reported EBITDA was up 11.4% and EBITDA margin expanded to 36.7%, up 300bpts, including £2.3 million profit on the sale of property and £0.9 million one-off costs in relation to the UK retail estate
- Reported profit before tax was £32.9 million, up 6.1% (up 3.1% at constant currency)
- Net cash was £47.1 million, reflecting a total of £68.6 million in higher dividend payments (£34.6 million) and investments in future growth (£34.0 million) since 31 October 2016, up £7.9 million from £39.2 million at 30 April 2017
- Interim dividend increased by 20.1% to 3.71 pence per Ordinary share, in line with the stated progressive dividend policy

- Total laundry revenues up 75% to £17.3 million (H1 2017: £9.9 million)

Operational Highlights

- Continued strong performance led by Continental Europe in all three key business areas: identification, laundry and printing kiosks.
- Further progress in the deployment of ID security technology:
 - Continued rollout of encrypted passport photo ID upload technology in Ireland.
 - In the UK, positive conclusion of discussions with Her Majesty's Passport Office and of the testing of the new online passport service; E-passport photobooths being rolled out across the UK, from mid December 2017.
- Laundry remains the primary growth driver of the Group:
 - Manufacturing capacity increased in H2 2018 in support of growth target.
 - B2B services extended through acquisitions, with further opportunities under review.
- Action taken to boost profitability of UK digital printing business:
 - Photo-Me Retail operations being refocused to provide unattended digital printing kiosk activities, with the phased closure of manned retail outlets
 - This will result in a total one-off restructuring cost of £2.0 million in the current financial year, of which £0.9 million has been accounted for in the period ended 31 October 2017.
- Continued investment in innovation for future growth focused on:
 - Complementary products and technologies with multiple applications, such as a banking front-end application for the Group's booths.
 - Ongoing upgrade to support market leading position.

Commenting on the results, Serge Crasnianski, Chief Executive Officer, said:

"The Group has once again performed strongly, with good operational progress made against our strategy to diversify operations.

In the first half, further excellent progress was achieved in the deployment of laundry operations, a key growth driver for the Group. As a result, the Board anticipates that laundry revenue will become an increasing proportion of total Group revenue as we get closer to achieving our mid-term deployment targets."

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An interview with Serge Crasnianski, CEO, and Gabriel Pirona, CFO, commenting on the interim results is available to view at www.photo-me.com and www.brrmedia.co.uk/event/161041

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

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 more than 47,300 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
- Kiosks: high-quality digital printing

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

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 fully-listed on the London Stock Exchange since 1962.

CHAIRMAN'S STATEMENT

Results

The Group continues to perform in line with expectations, delivering strong reported revenue growth and further operational progress in the first half.

The increase in revenues reflects expansion both through acquisitions as well as the continued extension of our laundry business, particularly in Continental Europe. This reflects our strategy to invest consistently in future growth. Furthermore, given the international nature of the business, with 80% of profits generated from operations outside of the United Kingdom, the Group has benefited from favourable currency movements.

Reported revenue increased by 10.5% to £122.2 million. The rapid growth in our automated laundries and the unattended digital photo printing kiosks have largely mitigated lower photobooth takings in the UK and Japan.

Reported EBITDA increased by 11.4% to £44.9 million, resulting in a 300 bpts improvement in reported EBITDA margin to 36.7% of revenue. Profit before tax increased by 6.1% to £32.9 million. At constant currency, revenue increased by 7.8 % and profit before tax increased by 3.1%. Those results include the profit of £2.3 million on the sale of the head-office building in Bookham, as well as a one-off charge of £0.9 million in relation to the UK retail estate.

The Group remains highly cash generative, with cash generated from operations of £39.9 million. The Group's net cash position as at 31 October 2017 was £47.1 million, compared with net cash of £68.0 million as at 31 October 2016, following dividend payments and investments of £34.6 million and £34.0 million respectively, in the last 12 months, reflecting the progressive dividend policy, and our ongoing investment in the expansion of existing services and new product innovation. Compared to 30 April 2017, net cash increased by £7.9 million, from £39.2 million, while in the same period £18.6 million was invested in future growth and £11.6 million paid out as dividends.

Update on Photo-Me Retail

As previously announced, the Group has undertaken a review of the progress of its Photo-Me Retail operations, the business resulting from the acquisition of the UK Photo Division of Asda Stores in November 2016, in order to reshape the digital printing operations and boost profitability.

In line with the Board's strategy to improve profitability, the Photo-Me Retail business is being refocused to provide online and unattended digital printing kiosks services, as the manned retail outlets are being progressively closed. This action will result in a one-off charge of £2.0 million, of which £0.9 million has been accounted for in the period to 31 October 2017.

The Board is confident the action taken will improve the future profitability of these operations.

Strategy

The Group remains focused on three market segments: identification, laundry and digital kiosks, currently operating across 18 countries.

The Board is committed to diversifying operations and developing new technologies with multiple applications, which can be rapidly deployed across new and existing geographies, to provide a rapid return on investment.

This strategy is based on expanding the number of units in operation, increasing the yield per unit, and minimising production and operational costs to the Group.

During the first half, we continued to expand the laundry business, increased the breadth of our identification solutions and invested further in research and development. Details of our strategic progress are set out in the Business and Financial Review.

Dividends

The Board is declaring an interim dividend of 3.71 pence per Ordinary Share, an increase of 20.1% compared with the interim dividend of 3.09 pence per ordinary share paid last year.

This increase is in line with the Group's progressive dividend policy and the Board's pledge in 2016 to increase the ordinary dividend by 20% for the financial years ending 30 April 2017 and 30 April 2018. Since 1 May 2016, the Group has returned £44.3 million to shareholders by way of dividends.

The interim dividend will be paid on 11 May 2018 to shareholders on the register on 6 April 2018. The ex-dividend date will be 5 April 2018.

Outlook

The Group's performance in the first half was in line with the Board's expectation, notwithstanding the challenges of the macroeconomic environment.

Good operational progress has been made, particularly in the identification and laundry businesses in Continental Europe. The expansion of the Group's estate of automated laundries has continued apace. Sales of laundry equipment have increased according to expectations and the Board is actively looking for further business-to-business laundry acquisition opportunities in Europe. In the medium term, it is anticipated that laundry revenue will grow significantly as a proportion of the total Group revenues and satisfactory progress is being made towards our target of 6,000 total laundry units (owned and sold) deployed by the end 2020.

In the second half, the Group will benefit from the enhanced profitability of Photo-Me Retail's operations once the refocus of activities towards unattended services is complete.

Whilst remaining mindful of the macroeconomic environment, foreign exchange movements and consumer sentiment, the Board remain confident about the Group's prospects.

CHIEF EXECUTIVE'S BUSINESS AND FINANCIAL REVIEW

The Group has performed strongly in the first half. As at 31 October 2017, the Group's estate comprised 47,325 units, an increase of 1.2% compared with the prior year period. Units were added principally in the laundry business (up 47.1%) and in digital kiosks (up 5.6%), while some 800 unprofitable amusement machines were retired, mainly in Asia.

Vending units in operation

	As at 31 October 2017		As at 31 October 2016		Change year on year
	No of units	% of total	No of units	% of total	
Continental Europe	24,229	51%	23,605	50%	+2.6%
UK & Republic of Ireland	12,951	27%	12,602	27%	+2.8%
Asia & ROW	10,145	22%	10,553	23%	(3.9)%
	47,325	100%	46,760	100%	+1.2%

Laundry units

The growth strategy for the laundry business, which was launched in 2012, is predicated on leveraging our well-established relationship with site owners to access prime locations, mainly where we already operate other instant service equipment, such as photobooths.

	H1 2018	H1 2017	Change
Owned and operated units	2,332	1,579	+47.7%
Average monthly takings per owned unit (€) ⁴	€1,508	€1,400	+7.7%

⁴Average calculated on mature estate (machines in France, Ireland and Portugal with at least one month full month takings)

Further progress has been achieved by the Group in the laundry business, with total laundry revenues across the Group up 74.7% to £17.3 million compared with the prior year period (H1 2017: £9.9 million).

The revenue relating to our operated laundry estate increased by 54.2% to £11.1 million in the period (H1 2017: £7.2 million), due to 47.7% increase in the size of our owned and operated laundry machines estate and a 7.7% increase in average takings per unit to €1,508.

Investment programme

A key part of our strategy is the ongoing investment in new technologies to develop new and complementary products and services, to support future growth and create shareholder value.

Cashflow from our operations has remained strong at £39.9 million. This has enabled the Board to invest £18.7 million in the first half of the financial year, primarily in the roll-out of Revolution laundries and the purchase of launderette shops in Europe, while in the same period, a total of £11.6 million was returned to shareholders through dividend payments.

Strategic progress

Photo identification (photobooshs and integrated biometric identification solutions)

We have continued to expand our services in Ireland through the deployment of our encrypted photo ID upload technology in our photobooshs for Online Passport Applications. Since the Irish Government launched the new system in April 2017, approximately 200 photobooshs have been enabled with secure digital upload technologies. We are on track to upgrade a total of 300 units by the end of the financial year.

As previously announced, in the UK, discussions with Her Majesty's Passport Office regarding the new online passport service and testing have concluded positively. The service is being rolled out to photobooshs across the UK from mid December 2017.

The progressive rollout of secure and direct data transfer technologies in photobooshs in Germany has continued with approximately 20 photobooshs upgraded.

Laundry (unattended laundry services)

The owned and operated laundry segment remains a key driver of growth for the Group, with revenues from laundry expected to represent half of total Group revenue in the medium term.

In the first half, the Group delivered strong growth from its laundry operations, with additional units deployed across all regions.

During the period, our manufacturing partner transferred production of the Revolution machine from Hungary to a new facility in Poland. Whilst this transition resulted in a short term slowdown in production, the new facility has the capacity to support production of 150 Revolution units per month from the second half of the financial year. This increase in production volumes will enable the Group to accelerate deployment in the longer term.

The Group remains on track to reach its target to deploy 6,000 (owned and sold) units by the end of 2020.

The Group made good progress on expanding its presence in the launderette market through the acquisition of underperforming launderette businesses in attractive locations. There are currently 66 outlets in operation, including six shops in Japan. Japan is a particularly attractive market where the lifestyle and laundry market dynamics offer significant opportunities for growth.

As part of the strategy to complement its laundry offering, the Group is expanding its activities in the business to business laundry services through acquisitions. Further to the October 2015 acquisition of Fowler (UK) Limited, in July 2017, the Group acquired Inox Equip Limited and Tersus Limited. These UK based B2B laundry operations provide bespoke professional design, procurement and installation of laundry and catering facilities for blue chip companies and institutions such as care homes and hospitals. In line with its strategy, the Group continues to actively seek out further bolt-on acquisitions in this area. The revenues of the B2B laundry services amounted to £4.1 million for the six months to 31 October 2017.

Kiosks (High quality digital printing)

The Group has continued to invest in the further deployment of digital kiosks. Compared to the same period last year, a global net total of 311 digital printing kiosks were deployed, mainly in the UK leveraging the Group's presence across the Asda network via the Photo-Me Retail business.

The Group is pleased with the performance of the new equipment, achieving average monthly gross takings per unit of £800 across the estate and reaching £1,500 in the UK.

The Group will pursue its strategy to further expand the roll-out of the SpeedLab Cube and SpeedLab Bio released last year, offering both the latest state-of-the-art digital printing technology and a significantly enhanced consumer experience, creating potential for further growth.

Investment in innovation

Investment in new technologies and products has continued, particularly focused on offering technology via our photobooth network to provide customers with front-end retail banking services and proprietary 3D Capture and enrolment technologies. The Group believes that those new self-service banking front-end booths address the need from financial institutions to find additional, cost effective platforms to support their traditional network, especially in the context of the rationalisation of the banking industry.

Once again, the Group showcased selected new products at TRUSTECH, a large event dedicated to Trust Based Technology in Cannes (France) which took place in November.

At this year's event, The Group's banking booth technology won the 2017 Sesames Award for Best eTransactions Solution, and its 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.

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 (SHL) 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 ancillary 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.

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 consistently with the information prepared to support the Board decision process. Although the Group is not managed around product lines, some commentary below relates to the performance of specific products in the relevant geographies.

Key financials

The Group reports its financial performance based on three principal geographic areas of operation; Continental Europe, UK & Republic of Ireland and Asia & the Rest of the World.

	Revenue				Operating profit			
	Six months ended 31 October				Six months ended 31 October			
	2017 £m	2016 £m	2016 ⁵ £m	Change %	2017 £m	2016 £m	2016 ⁵ £m	Change %
Continental Europe	66.1	61.1	64.6	8.2%	22.5	22.0	23.0	+2.3%
UK & ROI (inc. corporate)	33.5	25.4	25.5	31.9%	7.9	4.4	4.3	+79.6%
Asia & ROW	22.6	24.1	23.3	(6.2)%	2.50	3.7	3.7	(31.9)%
Total	122.2	110.6	113.4	+10.5%	32.9	30.1	31.0	+14.6%

⁵ For constant currency comparatives, average rates of exchange used were £/€ 1.13 (2016: 1.20), £/Yen 145 (2016: 139)

Continental Europe

Continental Europe continued to perform extremely strongly in the first half across all business areas. The division, which operates in ten countries, remains the largest contributor to the Group's performance representing 54.1% of total Group revenue (H1 2017: 55.2%) and 68.3% of operating profit (H1 2017: 73.1%).

As at 31 October 2017, the Group had a total of 24,229 units in operation in Continental Europe (H1 2017: 23,605), representing 51% of the total estate sited in the division. This 2.6% increase was driven by the continued roll out of the Group's laundry operations in this region.

France, which is the largest contributor to the Continental Europe segment, performed strongly with revenue (in local currency) up 3.2%, and gross takings from the estate of automated Revolution laundries and the launderette outlets increased by 40.4%.

In Portugal, the success of the laundry deployment is evidenced by the shift in the product mix over the last three years. Between 2015 and 2017, revenue from laundry operations has increased from nil in 2015 to €0.7 million for the same period this year. Laundry revenues now represent 63% of revenue in the country. The profit before tax and excluding group fees increased by 118% in the same period.

At constant currency, revenues for the segment increased by 2.3%, primarily driven by a 39.4% increase in takings from our operated laundry machines, as well as the recent upgrades to the photobooth estate with digital security features and roll out of further kiosks.

UK & Republic of Ireland (including Corporate)

The UK & Republic of Ireland contributed 27.4% of Group revenue in the first six months (H1 2017: 24.0%), and 24.0% of operating profit (H1 2017: 14.6%). The division's increased contribution to Group revenue and operating profit reflects continued expansion in laundry in Ireland and the UK, and the successful roll-out of the secure digital upload technology for the Irish Online Passport Service.

Ireland has been a focus for the laundry roll out programme and the country has seen revenues from laundry operations increase from € 0.1 million in the six months ended 31 October 2015 to €2.1 million during the same period this year. Laundry revenues now account for 70% of the country's total revenue. The profit before tax (excluding group fees) increased by 835% reflecting the speed of shift in product mix since the deployment programme commenced.

As at 31 October 2017, 27% of the Group's estate was sited in this region, the same as prior year. The estate increased by 2.8% to 12,951 machines, reflecting the expansion in the laundry business as well as the roll-out of the new SpeedLab Bio and SpeedLab Cube digital printing kiosks.

As previously mentioned, there has been some softening in the UK market due to consumer disposable income constraints. This resulted in lower revenue from the UK's photo identification operations in the first half, with slightly reduced demand for photo identification. This backdrop will be mitigated by actions to improve operational efficiencies in the business and maximise profitability in the UK. Price rises from £5 to £6 have been successfully implemented across the UK photobooth estate.

The restructuring of Photo-Me Retail to focus on unattended digital printing kiosks (detailed above) will improve the profitability of the business segment in the second half of the financial year, although there will be a negative impact on revenue in this geography.

Revenue was £33.5 million, an increase of 31.9% (acquisitions contribute £8.2 million). Operating profit in this segment was £7.9 million (H1 2017: £4.3 million), with acquisitions accounting for £0.7 million, and this also includes a profit of £2.3 million on the sale of the head office building in Bookham, as well as a one-off charge of £0.9m relating to the first phase of the restructuring of the Photo-Me Retail Business.

Asia & Rest of the World

Asia and the Rest of the World contributed 18.5% of Group revenue (H1 2017: 21.8%) and 7.7% of operating profit (H1 2017: 12.3%). Japan remaining the largest business in the region.

At 31 October 2017, 22% of the Group's estate was sited in Asia and the Rest of the World (H1 2017: 23%) comprising 10,145 machines. This represents a decrease of 3.9%, mainly due to the retirement of some 800 unprofitable amusement machines.

Revenues in this region were £22.6 million, a decline of 6.2%, mainly reflecting the impact of currency exchange rates. At constant rates of exchange, the year on year decrease of 3.0% reflected more challenging market conditions and a lower contribution from the Japan My Number ID card programme, compared with the prior year period.

In Japan, the largest of the Group's operations in the region, the Group sees future growth mainly arising from the investment in launderette shops. There are six shops now open.

Photo identification competition has remained high with new entrants looking to capitalise on the longer-term opportunity presented by the Japanese government's My Number initiative which is expected to be made compulsory in the medium term.

Statement of Financial Position

Shareholders' equity as at 31 October 2017 totalled £126.8 million (30 April 2017: £128.0 million), equivalent to 33.7 pence (30 April 2017: 34.0 pence) per share.

The Group's net financial position remains strong, with a net cash balance of £47.1 million as at the 31 October 2017 (30 October 2016: £68.0 million, 30 April 2017: £39.2 million), reflecting £18.7 million of investments and £11.6 million distributed to shareholders through dividend payments.

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 and regulatory 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 naturally 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 seriously affected.	<p>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 and Switzerland, discussions in the UK, Belgium and Holland).</p> <p>Furthermore, the Group also ensures that its ID products remain affordable and of high quality.</p> <p>In the UK, the Group is lobbying both alone, and in tandem with its trade association, to propose a solution similar to the ANTS system in France which sends photos electronically, maintaining the integrity of the photos, compliance with ICAO standards and, in the Board's opinion, posing less threat to national security.</p>

Brexit	<p>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.</p>	<p>The Board is keeping the potential impacts of the referendum decision to leave the EU on all the Group's operations under review.</p> <p>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.</p> <p>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.</p> <p>The Board foresees however that, while in the short term the negative impact of the uncertainty overshadowing the general UK economy could also overspill on 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.</p>
Business rates	<p>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.</p>	<p>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.</p>

Strategic

Identification of new business opportunities	<p>Failure to identify new business areas may impact the ability of the Group to grow in the long term.</p>	<p>Management teams constantly review demand in existing markets and potential new opportunities. The Group continues to invest in research into new products and technologies.</p>
Inability to deliver anticipated benefits	<p>The realisation of long-term anticipated benefits depends mainly upon the continued growth of the</p>	<p>The Group regularly monitors the performance of its entire estate of machines. New technology enabled secure</p>

from the launch of new products	laundry business and the successful development of integrated secure ID solutions.	ID solutions are heavily trialled before launch and the performance of operating machines is monitored consistently.
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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.
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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.
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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.
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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.
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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.
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Technological

Failure to keep up with advances in technology	The Group operates in fields where upgrades to new technologies are mission critical, particularly in relation to photography	The Group mitigates this risk by continually focusing on R&D.
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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 it directly to governmental databases

The Group performs an ongoing assessment of the risks and ensures that the infrastructure meets the security requirements.

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 October 2017

		Unaudited	Unaudited	Audited
		6 months to 31 October 2017	6 months to 31 October 2016	Year to 30 April 2017
	Notes	Total £ '000	Total £ '000	Total £ '000
Revenue	3	122,228	110,608	214,653
Cost of Sales		(84,387)	(73,530)	(156,427)
Gross Profit		37,841	37,078	58,226
Other Operating Income		748	698	2,203
Administrative Expenses		(5,822)	(7,800)	(13,818)
Share of Post-Tax Profits from Associates		136	94	196
Operating Profit	3	32,903	30,070	46,807
Finance Revenue		126	1,092	1,488
Finance Cost		(147)	(137)	(256)
Profit before Tax	3	32,882	31,025	48,039
Total Tax Charge	4	(8,589)	(8,932)	(12,901)
Profit for Year		24,293	22,093	35,138
Earnings per Share				
Basic Earnings per Share	6	6.43p	5.86p	9.30p
Diluted Earnings per Share	6	6.40p	5.84p	9.27p

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME (continued)
for the six months ended 31 October 2017

	6 months to 31 October 2017	6 months to 31 October 2016	Year to 30 April 2017
Other Comprehensive Income	£ '000	£ '000	£ '000
Items that are or may subsequently be classified to profit and loss:			
Exchange Differences Arising on Translation of Foreign Operations	629	11,511	1,862
Taxation on exchange differences	(2)	918	1,058
Total items that are or may subsequently be classified to profit and loss	627	12,429	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	-	-	(48)
Deferred tax on remeasurement (losses)/gains	-	-	21
Total Items that will not be classified to Profit and Loss	-	-	(27)
Total Comprehensive Income for the period	24,920	34,522	38,031
Profit for the period Attributable to:			
Owners of the Parent	24,216	22,020	34,991
Non-controlling interests	77	73	147
	24,293	22,093	35,138
Total comprehensive income attributable to:			
Owners of the Parent	24,784	34,278	37,799
Non-controlling interests	136	244	232
	24,920	34,522	38,031

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

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 October 2017

		Unaudited 31 October 2017 £'000	Unaudited 31 October 2016 £'000	Audited 30 April 2017 £'000
	Notes			
Assets				
Non-current assets				
Goodwill	7	13,415	12,000	11,812
Other intangible assets	7	14,030	14,061	13,451
Property, plant & equipment	7	81,223	72,366	74,989
Investment property	7	684	715	662
Investment in - associates		1,927	2,211	2,095
Other financial assets - held to maturity	8	1,829	2,440	2,389
Other financial assets - available for sale		219	87	81
Deferred tax assets		3,670	4,246	3,641
Trade and other receivables		2,061	1,844	2,025
		119,058	109,970	111,145
Current assets				
Inventories		22,684	20,724	19,418
Trade and other receivables		22,765	19,594	18,542
Current tax		3,691	310	288
Cash and cash equivalents	8	63,123	77,182	47,505
		112,263	117,810	85,753
Assets held for sale		-	96	96
Total assets		231,321	227,876	196,994
Equity				
Share capital		1,884	1,882	1,882
Share premium		9,384	8,967	8,999
Translation and other reserves		13,817	22,672	13,249
Retained earnings		101,701	101,332	103,831
Equity attributable to owners of the Parent		126,786	134,853	127,961
Non-controlling interests		1,477	1,353	1,341
Total equity		128,263	136,206	129,302
Liabilities				
Non-current liabilities				
Financial liabilities	8	14,248	9,656	8,192
Post-employment benefit obligations		5,478	5,597	5,456
Provisions		-	10	-
Deferred tax liabilities		3,729	2,279	3,087
Trade and other payables		1,725	3,010	2,310
		25,180	20,552	19,045
Current liabilities				
Financial liabilities	8	3,620	1,921	2,490
Provisions		601	2,356	2,072
Current tax		10,634	5,708	4,209
Trade and other payables		63,023	61,133	39,876
		77,878	71,118	48,647
Total equity and liabilities		231,321	227,876	196,994

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 2017

	Unaudited	Unaudited	Audited
	6 months to	6 months to	Year to
	31 October	31 October	30 April
	2017	2016	2017
Notes	£'000	£'000	£'000
Cash flow from operating activities			
Profit before tax	32,882	31,025	48,039
Finance cost	147	137	256
Finance revenue	(126)	(1,092)	(1,488)
Operating profit	32,903	30,070	46,807
Share of post tax profit from associates	(136)	(94)	(196)
Amortisation of intangible assets	1,267	891	2,479
Depreciation of property, plant and equipment	10,698	9,345	19,944
Profit on sale of property, plant and equipment	(2,195)	(173)	(887)
Exchange differences	(689)	961	(727)
Other items	(34)	(2,309)	(3,877)
Changes in working capital:			
Inventories	(2,376)	(1,086)	(1,088)
Trade and other receivables	(3,033)	3,302	(1,534)
Trade and other payables	5,070	6,484	2,377
Provisions	(1,579)	(2,337)	(2,045)
Cash generated from operations	39,896	45,054	61,253
Interest paid	(147)	(137)	(256)
Taxation paid	(4,948)	(9,698)	(11,969)
Net cash generated from operating activities	34,801	35,219	49,028
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	(1,354)	-	-
Investment in associates	-	(361)	(361)
Loans advanced to associates	-	-	(1,014)
Investment in intangible assets	(1,581)	(5,218)	(6,686)
Proceeds from sale of intangible assets	-	7	9
Purchase of property, plant and equipment	(15,722)	(18,779)	(36,652)
Proceeds from sale of property, plant and equipment	2,799	644	2,783
Purchase of available for sale investments	(134)	-	-
Interest received	126	68	75
Dividends received from associates	304	133	279
Net cash used in investing activities	(15,562)	(23,506)	(41,567)

GROUP CONDENSED STATEMENT OF CASH FLOWS (continued)

for the six months ended 31 October 2017

	Unaudited	Unaudited	Audited
	6 months to	6 months to	Year to
	31 October	31 October	30 April
	2017	2016	2017
Notes	£'000	£'000	£'000
Cash flows from financing activities			
Issue of Ordinary shares to equity shareholders	387	816	848
Repayment of capital element of finance leases	(87)	(103)	(173)
Borrowings	8,795	-	693
Repayment of borrowings	(1,961)	(867)	(1,630)
Decrease in assets held to maturity	573	11	(29)
Dividends paid to owners of the Parent	(11,633)	(9,669)	(32,629)
Net cash utilised in financing activities	(3,926)	(9,812)	(32,920)
Net increase in cash and cash equivalents	15,313	1,901	(25,459)
Cash and cash equivalents at beginning of period	47,505	71,005	71,005
Exchange loss on cash and cash equivalents	305	4,276	1,959
Cash and cash equivalents at end of period	8 63,123	77,182	47,505

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 2017

	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 period	-	-	-	-	22,020	22,020	73	22,093
Other comprehensive (expense)/income								
Exchange differences	-	-	-	12,780	-	12,780	171	12,951
Tax on exchange	-	-	-	918	-	918	-	918
Translation reserve taken to income statement on disposal of subsidiaries	-	-	-	(1,440)	-	(1,440)	-	(1,440)
Transfers between reserves	-	-	(93)	-	93	-	-	-
Total other comprehensive (expense)/income	-	-	(93)	12,258	93	12,258	171	12,429
Total comprehensive (expense)/income	-	-	(93)	12,258	22,113	34,278	244	34,522
Transactions with owners of the Parent								
Shares issued in the period	5	811	-	-	-	816	-	816
Share options	-	-	-	-	151	151	-	151
Dividends	-	-	-	-	(22,033)	(22,033)	-	(22,033)
Total transactions with the Parent	5	811	-	-	(21,882)	(21,066)	-	(21,066)
At 31 October 2016	1,882	8,967	1,781	20,891	101,332	134,853	1,353	136,206
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 gains 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
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 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

GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 October 2017 continued

	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 2017	1,882	8,999	1,781	11,468	103,831	127,961	1,341	129,302
Profit for period	-	-	-	-	24,216	24,216	77	24,293
Other comprehensive (expense)/income								
Exchange differences	-	-	-	570	-	570	59	629
Tax on exchange	-	-	-	(2)	-	(2)	-	(2)
Total other comprehensive (expense)/income	-	-	-	568	-	568	59	627
Total comprehensive (expense)/income	-	-	-	568	24,216	24,784	136	24,920
Transactions with owners of the Parent								
Shares issued in the period	2	385	-	-	-	387	-	387
Share options	-	-	-	-	132	132	-	132
Dividends	-	-	-	-	(26,478)	(26,478)	-	(26,478)
Total transactions with the Parent	2	385	-	-	(26,346)	(25,959)	-	(25,959)
At 31 October 2017	1,884	9,384	1,781	12,036	101,701	126,786	1,477	128,263

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

NOTES

1. Corporate information

The condensed consolidated interim financial statements of Photo-Me International plc (the “Company”) for the six months ended 31 October 2017 (“the Interim Report”) were approved and authorised for issue by the Board of Directors on 8 December 2017. These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together the “Group”) and are presented in pounds sterling, rounded to the nearest thousand.

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 Unit 3B, Blenheim Rd, Epsom, KT19 9AP.

Photo-Me’s principal activity is the operation of non-food unattended vending equipment aimed primarily at the consumer market. The largest part of the estate comprises photobooths and digital printing kiosks, with the remainder including laundry units, amusement machines and business service equipment. The Group manages these on a geographical basis with the principal operations of the Group in the United Kingdom and Ireland, Continental Europe, and Asia.

2. Basis of preparation and accounting policies

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group’s published consolidated financial statements for the year ended 30 April 2017.

The condensed consolidated interim financial statements comprise the unaudited financial information for the six months ended 31 October 2017 and 31 October 2016, together with the audited results to 30 April 2017. 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 2017. The condensed financial statements do not constitute statutory accounts within the meaning of section 434 of the UK Companies Act 2006.

The consolidated financial statements of the Group for the year ended 30 April 2017 are available at www.photo-me.com or upon request from the Company’s registered office at Unit 3B, Blenheim Rd, Epsom, KT19 9AP.

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 2017 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 (2) or (3) of the Companies Act 2006.

Accounting policies and estimates

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 2017, except as indicated below.

New standards adopted in the period:

There are a number of new and revised standards and interpretations, not all of which are applicable to the Group, which have been issued and are effective for the year 2018 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 2017 Annual Report. The effect of adopting new standards for the 2018 year end has not had a material impact on this Interim Report.

Estimates and significant judgements

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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were in the same areas as those that applied in the consolidated financial statements as at and for the year ended 30 April 2017.

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 2017 provided a full description of the Group's business activities, its financial position, cash flows, funding position and available facilities together with the factors likely to affect its future development, performance and position. It also detailed risks associated with the Group's business. This interim report provides updated information on these subjects for the six months to 31 October 2017.

The Group has at the date of this Interim Report, sufficient financing available for its estimated requirements for at least the next twelve months. Together with the proven ability to generate cash from its trading performance, this provides the Directors with confidence that the Group is well placed to manage its business risks successfully in the context of the current financial conditions and the general outlook in the global economy.

After reviewing the Group's annual budgets, plans and financing arrangements, the Directors consider that the Group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis in preparing this Interim Report.

3. Segmental analysis

IFRS8 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 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 first half of the financial year is seasonally the strongest for the Group in terms of profits, and this is expected to be the case again for the current year ending 30 April 2018.

	Asia	Europe	United Kingdom & Ireland	Total
6 months to 31 October 2017	£'000	£'000	£'000	£'000
Total revenue	22,609	71,578	33,669	127,856
Inter segment sales	(3)	(5,423)	(202)	(5,628)
Revenue from external customers	22,606	66,155	33,467	122,228
EBITDA	4,707	29,152	10,097	43,956
Depreciation and amortisation	(2,323)	(6,671)	(2,804)	(11,798)
Operating profit excluding associates	2,384	22,481	7,293	32,158
Share of post-tax profits from associates				136
Corporate income excluding depreciation and amortisation				776
Corporate depreciation and amortisation				(167)
Operating profit				32,903
Finance Revenue				126
Finance costs				(147)
Profit before tax				32,882
Tax				(8,589)
Profit for period				24,293
Capital expenditure	3,499	10,100	3,426	17,025
Corporate capital expenditure				327
Total capital expenditure				17,352

Reconciliation of operating profit

	Asia	Europe	United Kingdom & Ireland	Total
	£'000	£'000	£'000	£'000
Operating profit before associates	2,384	22,481	7,293	32,158
Share of past tax profits from associates	136	-	-	136
Corporate operating profit	-	556	53	609
Total operating profit	2,520	23,037	7,346	32,903

	Asia	Europe	United Kingdom & Ireland	Total
6 months to 31 October 2016	£'000	£'000	£'000	£'000
Total revenue	24,259	68,243	25,546	118,048
Inter segment sales	(127)	(7,175)	(138)	(7,440)
Revenue from external customers	24,132	61,068	25,408	110,608
EBITDA	5,592	28,012	6,904	40,508
Depreciation and amortisation	(1,890)	(6,016)	(2,190)	(10,096)
Operating profit excluding associates	3,702	21,996	4,714	30,412
Share of post-tax profits from associates				94
Corporate costs excluding depreciation and amortisation				(296)
Corporate depreciation and amortisation				(140)
Operating profit				30,070
Finance Revenue				1,092
Finance costs				(137)
Profit before tax				31,025
Tax				(8,932)
Profit for period				22,093
Capital expenditure	3,783	9,686	9,838	23,307
Corporate capital expenditure				774
Total capital expenditure				24,081

Reconciliation of operating profit

	Asia	Europe	United Kingdom & Ireland	Total
	£'000	£'000	£'000	£'000
Operating profit before associates	3,702	21,996	4,714	30,412
Share of past tax profits from associates	94	-	-	94
Corporate operating profit	-	474	(910)	(436)
Total operating profit	3,796	22,470	3,804	30,070

Reconciliation of EBITDA

	6 months to 31 October 2017 £ '000	6 months to 31 October 2016 £ '000	Year to 30 April 2017 £ '000
Profit before tax	32,882	31,025	48,039
Finance income	(126)	(1,092)	(1,488)
Finance costs	147	137	256
Depreciation and amortisation	11,965	10,392	22,423
EBITDA	44,868	40,462	69,230

	Asia £'000	Europe £'000	United Kingdom & Ireland £'000	Total £'000
Year ended 30 April 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	71,667
Depreciation and amortisation	(3,940)	(13,038)	(5,041)	(22,019)
Operating profit excluding associates	8,400	33,940	7,308	49,648
Share of post-tax profits from associates				196
Corporate costs excluding depreciation and amortisation				(2,633)
Corporate depreciation and amortisation				(404)
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	42,653
Corporate capital expenditure				820
Total capital expenditure				43,473

Reconciliation of operating profit

	Asia £'000	Europe £'000	United Kingdom & Ireland £'000	Total £'000
Operating profit before associates	8,400	33,940	7,308	49,648
Share of post tax profits from associates	196	-	-	196
Corporate operating profit	-	938	(3,975)	(3,037)
Total operating profit	8,596	34,878	3,333	46,807

4. Taxation

	6 months to 31 October	6 months to 31 October	Year to 30 April
	2017	2016	2017
	£'000	£'000	£'000
Profit before tax	32,882	31,025	48,039
Total taxation charge	8,589	8,932	12,901
Effective tax rate	26.1%	28.8%	26.9%

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 2018.

The UK 2016 Finance Act was enacted in September 2016 and confirmed the basic rate of UK Corporation tax at 19% for the financial years ending 30 April 2018 and 30 April 2019 and 17% for the financial year ending 30 April 2020.

5. Dividends

Dividends paid and proposed

	31 October 2017		31 October 2016		30 April 2017	
	pence per share	£'000	pence per share	£'000	pence per share	£'000
Interim						
H1 2016 paid on 12 May 2016			2.575	9,669	2.575	9,669
H1 2017 paid on 11 May 2017	3.09	11,633				
Final						
FY 2016 paid 10 November 2016			3.285	12,365	3.285	12,365
FY 2017 approved at AGM held on 25 October 2017	3.94	14,845				
Special						
FY 2016 paid 10 November 2016					2.815	10,595
	7.03	26,478	5.86	22,093	8.675	32,629

Financial year ending 30 April 2018

Interim dividend for the six months ended 31 October 2017

The Board has declared an interim dividend of 3.71p per share for the six months ended 31 October 2017, to be paid on 11 May 2018 to shareholders on the register on 6 April 2018. The ex-dividend date will be 5 April 2017

Financial year ended 30 April 2017

The Board declared an interim dividend of 3.09p per share for the six months ended 31 October 2016, which was paid to shareholders on 11 May 2017.

The Board proposed a final dividend of 3.94p per share for the year ended 30 April 2017 which was approved by shareholders at the Annual General Meeting held on 25 October 2017. It is included in the amount shown as dividend in transactions with owners of the parent in the Group Statement of Changes in Equity and in current liabilities - trade and other payables in the Group Statement of Financial Position. This dividend was paid on 10 November 2017.

Financial year ended 30 April 2016

The interim dividend for 2016 of 2.575p per share was paid on 12 May 2016.

The final dividend for 2016 of 3.285p per share amounting to £12,365,000 was approved by the shareholders at the Annual General Meeting on 20 October 2016. It is included in the amount shown as dividend in transactions with owners of the parent in the Group Statement of Changes in Equity and in current liabilities - trade and other payables in the Group Statement of Financial Position. This dividend was paid on 10 November 2016.

In addition, the Board proposed a special dividend of 2.816p per share, £10,596,000 which was paid on 10 November 2016. This dividend is not shown in these consolidated financial statements.

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:

	Six months to 31 October 2017	Six months to 31 October 2016	Year to 30 April 2017
Basic earnings per share	6.43p	5.86p	9.30p
Diluted earnings per share	6.40p	5.84p	9.27p
Earnings available to shareholders (£'000)	24,216	22,020	34,991
Weighted average number of shares in issue in the period			
- basic ('000)	376,572	375,838	376,141
- including dilutive share options ('000)	378,160	377,312	377,462

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

	Goodwill	Other Intangible assets	Property, plant & equipment	Investment property
	£'000	£'000	£'000	£'000
Net book value at 1 May 2016	11,606	8,706	56,094	629
Exchange adjustment	394	1,035	7,217	94
Additions				
- photobooths & vending machines	-	-	17,229	-
- research & development	-	1,637	-	-
- other additions	-	616	1,286	-
Acquisitions	-	2,965	348	-
Transfers	-	-	-	-
Depreciation provided in the period	-	(891)	(9,337)	(8)
Net book value of disposals	-	(7)	(471)	-
Net book value at 31 October 2016	12,000	14,061	72,366	715
Net book value at 1 May 2016	11,606	8,706	56,094	629
Exchange adjustment	206	547	3,942	48
Additions				
- photobooths & vending machines	-	-	33,787	-
- research & development	-	2,390	-	-
- other additions	-	4,296	3,000	-
New subsidiaries- net book value	-	-	-	-
Transfers	-	-	-	-
Depreciation provided in the period	-	(2,479)	(19,929)	(15)
Transfer to assets held for sale	-	-	-	-
Net book value of disposals	-	(9)	(1,905)	-
Net book value at 30 April 2017	11,812	13,451	74,989	662
Net book value at 1 May 2017	11,812	13,451	74,989	662
Exchange adjustment	87	265	1,633	30
Additions				
- photobooths & vending machines	-	-	13,469	-
- research & development	-	1,265	-	-
- other additions	-	316	2,302	-
Acquisitions	1,516	-	28	-
Depreciation provided in the period	-	(1,267)	(10,690)	(8)
Net book value of disposals	-	-	(508)	-
Net book value at 31 October 2017	13,415	14,030	81,223	684

Included in additions for property, plant & equipment are the following amounts under finance leases.

	31 October 2017	31 October 2016	30 April 2017
	£'000	£'000	£'000
Property, plant & equipment additions - finance leases	49	84	135

8. Net Cash

	31 October 2017 £'000	31 October 2016 £'000	30 April 2017 £'000
Cash and cash equivalents per statement of financial position	63,123	77,182	47,505
Financial assets - held to maturity	1,829	2,440	2,389
Non-current instalments due on bank loans	(13,996)	(9,304)	(7,894)
Current instalments due on bank loans	(3,479)	(1,750)	(2,344)
Leases	(393)	(523)	(444)
Net cash	47,084	68,045	39,212

At 31 October 2017, £1,829,000 (31 October 2016: £2,440,000, 30 April 2017: £2,389,000) of the total net cash comprised bank deposit accounts that are subject to restrictions and are not freely available 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 instalments on 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.

Other movements for loans and finance leases for the period ended 31 October 2017, period ended 31 October 2016 and year ended 30 April 2017 include transfers between non-current and current and new finance leases taken out in the period.

	1 May 2016 £'000	Exchange difference £'000	Other movements £'000	Cash flow £'000	31 October 2016 £'000
Cash and cash equivalents per statement of financial position	71,005	4,276	-	1,901	77,182
Financial assets - held to maturity	2,253	198	-	(11)	2,440
Non-current loans	(8,866)	(1,316)	878	-	(9,304)
Current loans	(1,515)	(224)	(878)	867	(1,750)
Leases	(462)	(80)	(84)	103	(523)
Net cash	62,415	2,854	(84)	2,860	68,045

	1 May 2016	Exchange difference	Other movements	Cash flow	30 April 2017
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents per statement of financial position	71,005	1,959	-	(25,459)	47,505
Financial assets - held to maturity	2,253	165	-	(29)	2,389
Non-current loans	(8,866)	(678)	1,650	-	(7,894)
Current loans	(1,515)	(116)	(1,650)	937	(2,344)
Leases	(462)	(32)	(123)	173	(444)
Net cash	62,415	1,298	(123)	(24,378)	39,212

	1 May 2017	Exchange difference	Other movements	Cash flow	31 October 2017
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents per statement of financial position	47,505	305	-	15,313	63,123
Financial assets - held to maturity	2,389	13	-	(573)	1,829
Non-current loans	(7,894)	(356)	3,049	(8,795)	(13,996)
Current loans	(2,344)	(47)	(3,049)	1,961	(3,479)
Leases	(444)	13	(49)	87	(393)
Net cash	39,212	(72)	(49)	7,993	47,084

9. Fair Values

Fair values of financial instruments by class

There is no difference between the fair values and the carrying value of financial assets and financial liabilities held in the Group's Statement of financial position.

Held to maturity, available-for-sale financial assets and derivatives

The fair value is based on quoted prices at the balance sheet date for quoted investments and other valuation techniques for unquoted investments. For restricted deposits accounts held to maturity, the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying value where cash is repayable on demand. For short-term cash deposits and other items not repayable on demand, fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

FRS13 requires an analysis of financial instruments carried at fair value by valuation method as follows.

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as process) or indirectly (that is derived from prices).

Level 3 Inputs for asset or liability that are not based on observable market data.

The Group's financial instruments are fair valued at level 2 with the exception of other financial assets available for sale investments which are valued at level 3.

Financial Instruments by category

The tables below show financial instruments by category

31 October 2017

	Loans and receivables	Available for sale	Total
	£'000	£'000	£'000
Assets as per statement of financial position			
Other financial assets - held to maturity	1,829	-	1,829
Other financial assets - available for sale	-	219	219
Trade and other receivables	21,256	-	21,256
Cash and cash equivalents	63,123	-	63,123
Total	86,208	219	86,427

	Other financial liabilities at amortised cost	Total
	£'000	£'000
Liabilities as per statement of financial position		
Borrowings	17,475	17,475
Leases	393	393
Trade and other payables excluding non-financial liabilities	46,138	46,138
Total	64,006	64,006

31 October 2016

	Loans and receivables	Available for sale	Total
	£'000	£'000	£'000
Assets as per statement of financial position			
Other financial assets - held to maturity	2,440	-	2,440
Other financial assets - available for sale	-	87	87
Trade and other receivables	18,276	-	18,276
Cash and cash equivalents	77,182	-	77,182
Total	97,898	87	97,985

	Other financial liabilities at amortised cost	Total
	£'000	£'000
Liabilities as per statement of financial position		
Borrowings	11,054	11,054
Leases	523	523
Trade and other payables excluding non-financial liabilities	48,648	48,648
Total	60,225	60,225

30 April 2017

	Loans and receivables	Available for sale	Total
	£'000	£'000	£'000
Assets as per statement of financial position			
Other financial assets - held to maturity	2,389	-	2,389
Other financial assets - available for sale	-	81	81
Trade and other receivables	17,080	-	17,080
Cash and cash equivalents	47,505	-	47,505
Total	66,974	81	67,055

	Other financial liabilities at amortised cost	Total
	£'000	£'000
Liabilities as per statement of financial position		
Borrowings	10,238	10,238
Leases	444	444
Trade and other payables excluding non-financial liabilities	39,486	39,486
Total	50,168	50,168

Included in liabilities trade and other payables at 31 October 2017 are deferred consideration payables of £2,800,000 (30 April 2017 £2,550,000 and 31 October 2016 £2,550,000) being contingent consideration relating to acquisitions made since September 2015.

10. Related parties

The Group's significant related parties are disclosed in the 2017 Annual Report and include its associates, its pension funds and the Company's Directors. During the 6 months ended 31 October 2017, 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 2017 Annual Report.

11. Business combinations

In July 2017, the Group acquired 100% of the voting rights and share capital of Inox Equip Limited (Inox) and Tersus Equip Limited (Tersus), both UK based, business to business laundry businesses which provide bespoke professional design, procurement and installation of laundry and catering equipment facilities for blue chip companies and institutions such as care homes and hospitals. This acquisition was in line with the Group's strategy to expand its business to business laundry capabilities.

The results of these companies have been consolidated from 1 August 2017.

The table below shows the provisional value of net assets acquired and the consideration paid and payable.

	£ '000
Property, plant and equipment	28
Total non-current assets	28
Inventory	404
Trade and other receivables	1,158
Cash and cash equivalents	155
Total current assets	1,717
Total assets	1,745
Deferred tax liabilities	(2)
Trade and other payables	(1,249)
Current tax	(51)
Total liabilities	(1,302)
Total identifiable net assets	443
Total identifiable net assets excluding net cash and cash	288
Goodwill	1,516
Goodwill and total identifiable net assets	1,959
Cost of investment	1,959
Contingent consideration	450
Initial cash outlay on purchase of subsidiaries	(1,510)
Net cash acquired with subsidiaries	155
Net cash consideration per Group Statement of Cash Flows	(1,354)

Contingent consideration

A further £450,000 of consideration is payable to the vendors of the acquired businesses contingent on earnings performance in the 12 month periods ending 31 July 2018 and 31 July 2019. The directors consider it likely that the performance conditions will be met and have therefore recognised the maximum amounts payable.

Acquired receivables

The provisional fair value of receivables acquired was £1,158,000. The gross contractual amounts receivable was £1,233,000 and at the acquisition date, £75,000 of contractual cash flows were not expected to be received.

The following amounts have been included in the Group's post acquisition results in respect of the acquired businesses:

	£ '000
Revenue	1,985
Profit before tax	442
Profit after tax	327

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 Guidance 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 Guidance 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)

8 December 2017

INDEPENDENT REVIEW REPORT TO PHOTO-ME INTERNATIONAL PLC

Conclusion

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 2017 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.

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 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of the UK FCA. 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.

Steve Masters
for and on behalf of KPMG LLP
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

8 December 2017

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 2017. It has been prepared to provide additional information to shareholders to enable them to access the Group's strategies, performance and the potential for those strategies to succeed. It should not be relied upon for any other purpose.

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 expected. No assurances can be given that the forward looking statements in this Interim Financial Report will be realised. 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.com.

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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