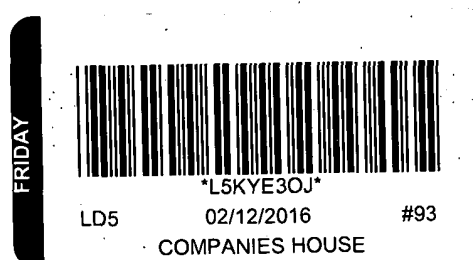


Photobox Limited
REPORT AND FINANCIAL STATEMENTS

Year end 30 April 2016



Company Registration No. 03906401

Photobox Limited

DIRECTORS AND OFFICERS

DIRECTORS

A Burns
J Ford (Appointed 21 July 2016)
S Laurent (Resigned 21 July 2016)

SECRETARY

A Burns

REGISTERED OFFICE

Unit 7
30 Great Guildford Street
London
SE1 0HS

AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Photobox Limited

STRATEGIC REPORT

REVIEW OF THE BUSINESS

Turnover has increased from £83,430,000 in the prior year to £103,496,000. The growth is primarily due to a successful, continuing campaign of new customer acquisition as well as focus on existing customer loyalty.

Gross margin percentage has decreased to 45.4% (2015: 45.5%). The Company intends to improve margins in the financial year ending 30 April 2017 through sales mix development, further economies of scale and production efficiencies.

The Company made a profit before tax for the year of £2,467,000 (2015: £5,540,000). Profits are expected to further improve in the financial year ending 30 April 2017 due to improved gross margin, together with controlled growth of operating expenditure.

RESULTS

The profit for the year, after taxation, is £4,194,000 (2015: £3,719,000).

OPERATING REVIEW

Key Performance Indicators for the Company are noted in the table below:

	Year ended 30 April 2016	Year ended 30 April 2015
Revenue	£103,496,000	£83,430,000
Gross Profit	£46,974,000	£37,920,000
Gross Profit vs Revenue	45.4%	45.5%
Operating Profit before exceptional items	£5,255,000	£5,655,000
Operating Profit before exceptional items vs Revenue	5.1%	6.8%

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive risks

Whilst consolidating its position as market leader in the UK, the Company encounters significant competition from other online specialists and high street retailers who wish to have a presence in the market. The directors consider that continuing investment in marketing, technology and product innovation should help the Company consolidate and extend its leading position in the UK market.

Legislative risks

The Company is subject to consumer law in the jurisdictions in which it operates, including distance-selling and data-protection directives. In addition, the Company's production facility is subject to further legislation in respect of Health and Safety and Waste Processing. The Company continues to retain professional advisors in respect of the risk of non-compliance with new and existing directives.

Exposure to credit, liquidity and cash flow risks

Virtually all Company revenues are derived from credit card transactions over the internet, reaching Company bank accounts in 3 to 4 days. Suppliers are generally paid on 30 day terms or more and therefore the Company's operational working capital risks are negligible. Seasonal variations to the consumer print on demand business require large-scale project expenditure to be carefully planned and monitored over the year.

Foreign exchange risks

The Company's operating expenses are part invoiced in Euro denominated transactions and fluctuations in Sterling / Euro exchange rates is therefore a principal risk to the business.

By order of the board



A Burns
Director

15 November 2016

Photobox Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 April 2016.

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies that have been adopted in the current period. They anticipate that the next financial year should show continuing growth in sales from continuing activities.

DIVIDENDS

The directors do not recommend the payment of a dividend (2015: £ Nil).

DIRECTORS

The directors who served during the year were those listed on page 1.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 10 sets out certain factors relevant to the directors' consideration in reaching this assessment.

RESEARCH & DEVELOPMENT

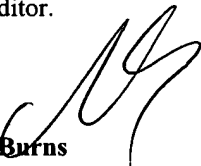
During the year, the Company has focused its research and development activities on the improvement and reliability of its website and mobile platform.

EMPLOYMENT POLICIES

The Company has a strong demand for highly qualified staff and is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. In the event of any staff becoming disabled while with the Company, their needs and abilities would be assessed and the Company would, where possible, seek to offer alternative employment to them if they were no longer able to continue in their current role.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



A Burns
Director

15 November 2016

Photobox Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Photobox Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOTOBX LIMITED

We have audited the financial statements of Photobox Limited for the year ended 30 April 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Photobox Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOTOBX LIMITED

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Steven Dobson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
1 More London Place
London, SE1 2AF

15 November 2016

Photobox Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 April 2016

	Notes	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Revenue	2	103,496	83,430
Cost of sales	3	(56,522)	(45,510)
Gross profit		46,974	37,920
Administrative expenses		(41,719)	(32,265)
Operating profit before exceptional items		5,255	5,655
Exceptional items	5	(2,426)	-
Operating profit	4	2,829	5,655
Finance income	6	49	248
Finance costs	7	(411)	(363)
Profit before taxation		2,467	5,540
Taxation	9	1,727	(1,821)
PROFIT FOR THE YEAR		4,194	3,719
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		4,194	3,719

All activities relate to continuing operations.

There were no recognised gains or losses other than the result for the year.

Photobox Limited

STATEMENT OF FINANCIAL POSITION

at 30 April 2016

	Notes	30 April 2016	30 April 2015
		£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	4,704	3,816
Intangible assets	10	3,045	3,409
Deferred tax assets	9	1,520	1,600
Other non-current assets		436	428
Total non-current assets		9,705	9,253
Current assets			
Inventories	12	2,657	2,225
Trade and other receivables	13	18,156	19,094
Income tax receivable		1,599	-
Cash and cash equivalents		1,073	2,740
Total current assets		23,485	24,059
TOTAL ASSETS		33,190	33,312
LIABILITIES			
Current liabilities			
Trade and other payables	14	15,175	14,142
Deferred revenue		1,081	804
Income tax payable		-	1,423
Provisions for other liabilities and charges	15	322	212
Total current liabilities		16,578	16,581
NET ASSETS		16,612	16,731
CAPITAL AND RESERVES			
Equity attributable to owners of the parent			
Ordinary share capital	16	65	65
Share premium		855	855
Retained profit		15,692	15,811
TOTAL EQUITY		16,612	16,731

The financial statements on pages 7 to 30 were approved by the board of directors and authorised for issue on 5 November 2016 and are signed on its behalf by:


A Burns
 Director

Company Registration No. 03906401

Photobox Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 30 April 2016

	Ordinary share capital (Note 16) £'000	Share Premium £'000	Retained earnings £'000	Total equity £'000
At 1 May 2014	65	855	11,237	12,157
Profit for the year	-	-	3,719	3,719
Total comprehensive profit	-	-	3,719	3,719
Share based payment	-	-	577	577
Deferred taxation	-	-	278	278
At 30 April 2015	65	855	15,811	16,731
Profit for the year	-	-	4,194	4,194
Total comprehensive profit	-	-	4,194	4,194
Share based payment	-	-	674	674
Deferred taxation	-	-	(524)	(524)
Group relief	-	-	(4,463)	(4,463)
At 30 April 2016	65	855	15,692	16,612

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

1.1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). A summary of the material accounting policies, which have been consistently applied in preparing the financial statements for the year ended 30 April 2016, is set out below:

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in note 21.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IFRS 7 Financial instruments: Disclosures;
- b) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- c) The requirement of paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - i. Paragraph 79(a)(iv) of IAS 1;
 - ii. Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - iii. Paragraph 118(e) of IAS 38 Intangible Assets;
- d) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- e) The requirements of IAS 7 Statement of Cash Flows;
- f) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- g) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- h) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- i) The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6 to 21 to present an opening statement of financial position at transition.

b) Going concern

The Company has sufficient financial resources and as a consequence, the directors believe that they are well placed to manage its business risk successfully and to continue in operational existence for the foreseeable future. Therefore they consider it appropriate to adopt the going concern basis in preparing the financial statements.

c) Intangible fixed assets

Intangible fixed assets are stated at historical cost.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- technical feasibility of completing the intangible assets so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the assets; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2016

development is complete and the asset is available for use. During the period of development, the asset is tested for impairment annually.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life. Amortisation is charged on a straight line basis over the following periods:

	<i>Useful lives</i>	<i>Amortisation method</i>	<i>Internally generated or acquired</i>
Development costs	Finite	Straight-line basis – 3 years	Internally generated
Technology	Finite	Straight-line basis – 3 years	Acquired
Customer relationships	Finite	Straight-line basis – 3 years	Acquired
Other intangibles	Finite	Straight-line basis – 3 years	Acquired

The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Subsequent expenditure (expenditure for replacement and expenditure for bringing up to standard) is capitalised and amortised over the remaining useful life of the fixed asset to which it is related. All other servicing and maintenance costs are expensed as incurred.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Leasehold improvements	-	over the unexpired term of the lease
Plant and machinery	-	20% per annum on cost
Fixtures, fittings and equipment	-	25% - 33% per annum cost
Computer equipment	-	33% per annum on cost

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

e) Inventory

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred up to completion and disposal.

f) Taxes

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2016

situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

g) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in reserves.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for any incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2016

h) Leased assets and obligations

All leases are “operating leases” and the annual rentals are charged to profit and loss account on a straight line basis over the lease term.

i) Foreign currency

The financial statements are presented in Sterling, which is also the company’s functional currency. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

j) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets and liabilities are recognised on the Company’s balance sheet when the Company becomes a contractual party to the instrument. When financial instruments are recognised initially, they are measured at fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Company’s financial assets include cash and cash equivalents, and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the income statement in other operating expenses.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Obligations for loans and payables are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans as well as payables are subsequently measured at amortised cost using the effective interest method.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2016

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Finance Position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

A financial asset or liability is generally derecognised when the contract that gives right to it is settled, sold, cancelled or expires.

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

l) Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

m) Revenue

Revenue is recognised at the fair value of the consideration received or receivable for sale of goods in the ordinary nature of the business. Where the Company acquires customers through a third party, the Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Where the Company holds the primary risks and rewards, the Company is deemed to be acting as the principal. Revenue is shown net of Value Added Tax.

The Company offers pre-paid vouchers/"pack" products. Customers have a maximum term after the purchase date of the pack to consume these prepaid products. The income from the sales of these packs is recognised as they are consumed. The unused part of the packs is posted to income after expiration.

Customers have the ability to return goods where they are not satisfied. Upon closing, a provision for returns and re-makes is posted to the accounts to cover the risk, based on the history of such matters.

Revenue is recognised upon the supply of goods and services to fellow group companies in the ordinary course of business.

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In addition, management has made certain judgements, which have the most significant effect on the amounts recognised in the financial statements:

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

Judgements, estimates and assumptions:

a) Recoverability of deferred tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. See Note 8.

b) Exceptional items

Exceptional items are those items the Group considers to be material in nature and out of the normal course of business that should be brought to the reader's attention in understanding the Group's financial performance. See Note 4.

c) Share based payment

Assumptions are made in relation to share awards where the Black-Scholes model is used to calculate the charge. Key assumptions are volatility, risk free rate, the probability of non-vesting and the expected life of the option. These key assumptions are set out by option type in Note 16.

2 REVENUE AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Revenue with third parties	70,737	62,144
Revenue with group companies	32,759	21,286
Total revenue	103,496	83,430

The Company's revenue and pre-tax profit were all derived from its principal activity.

	Year ended 30 April 2016 %	Year ended 30 April 2015 %
Percentage of revenue to non-UK markets	18%	17%

3 COST OF SALES

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Cost of sales with third parties	33,270	29,731
Cost of sales with group companies	23,252	15,779
Total revenue	56,522	45,510

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

4 OPERATING PROFIT

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Nature of expenses charged/(credited) to operating profit:		
Depreciation and amounts written off property, plant and equipment:		
- owned assets	2,122	1,380
Amortisation and impairment of intangible fixed assets	2,930	1,338
Operating lease payments	864	787
Auditor's remuneration:		
- audit fees	40	48
- taxation services	-	14
- other services	5	-
Share based payment expense	674	577
Foreign exchange (gain)	(274)	(208)
(Profit) on disposal of property, plant and equipment and intangible assets	(6)	-

5 EXCEPTIONAL ITEMS

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Exceptional losses:		
Transaction costs	2,426	-
Total exceptional losses	2,426	-

During the year to 30 April 2016, £2,426,000 (30 April 2015 £ nil) was incurred, related to the sale of the Photobox Holdco Limited Group, of which £2,173,000 related to National Insurance contributions upon share options.

6 FINANCE INCOME

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Bank interest	4	7
Interest receivable from group undertakings	45	241
Total finance income	49	248

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

7 FINANCE COSTS

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Interest payable to group undertakings	411	363
Total finance costs	411	363

8 STAFF COSTS

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
Wages and salaries	15,269	11,716
Social security costs	1,342	1,089
Pension costs	171	169
Employee share schemes	674	577
	17,456	13,551

The average monthly number of employees (including directors) during the year was made up as follows:

	Year ended 30 April 2016	Year ended 30 April 2015
	Number	Number
Management and administration	183	161
Production	196	159
	379	320

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	1,041	719
Pension costs	15	9
Health care costs	2	3
	1,058	731

The number of directors to whom retirement benefits are accruing under money purchase pension schemes was:

2 2

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

The number of directors who exercised share options was: 2 -

8 STAFF COSTS (continued)

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
The amounts in respect of the highest paid director are as follows:		
Aggregate emoluments	749	440
Pension costs	8	8
Health care costs	1	-
	758	448

During the year ended 30 April 2016, the highest paid director did exercise share options. During the year ended 30 April 2015, the highest paid director did not exercise any share options.

9 TAXATION

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
(a) Tax on profit on ordinary activities		
The tax (credit)/charge is made up as follows:		
Current tax:		
UK corporation tax (credit)/charge on profit for the period	(1,214)	1,282
Adjustment in respect of prior years	(68)	555
Total current tax	(1,282)	1,837
Deferred tax:		
Origination and reversal of temporary differences	(614)	(8)
Impact of changes in tax law and rates	169	(8)
Total deferred tax	(445)	(16)
Total tax (credit)/charge for the period	(1,727)	1,821

Photobox Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 April 2016

9 TAXATION (continued)

	Year ended 30 April 2016	Year ended 30 April 2015
	£'000	£'000
(b) The tax assessed for the year differs from the standard UK rate of corporation tax applicable of 20% (2015: 20.9%). The differences are explained below:		
Profit on ordinary activities before tax	2,467	5,540
Profit on ordinary activities multiplied by the UK tax rate	493	1,157
Effects of:		
Expenses not deductible for tax purposes	9	117
Share based payments relief	(2,335)	-
Tax (overprovided)/underpaid in previous years	(30)	555
Change in tax laws and rate	169	(8)
Other permanent differences	(33)	-
Total tax (credit)/charge for the period	(1,727)	1,821

(c) Deferred tax

	Statement of financial position	Statement of profit and loss
	30 April 2016 £'000	Period ended 30 April 2016 £'000
Deferred tax relates to following:		
Decelerated capital allowances	129	15
Share based payments	-	914
Tax losses carried forward	1,382	(1,536)
Other timing differences	9	(7)
Deferred tax (benefit)	-	(614)
Net deferred tax assets	1,520	

Photobox Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 April 2016

9 TAXATION (continued)

	Year ended 30 April 2016 £'000	Year ended 30 April 2015 £'000
(d) Reconciliation of deferred tax assets		
At start of period	1,599	1,306
Credit in the year	614	8
Change in tax rate	(169)	8
Movement through equity	(524)	278
At end of period	1,520	1,600

Factors affecting current and future tax charges

The Finance Act 2015 received Royal Assent on 18 November 2015 and, this reduces the UK corporation tax rate to 19% with effect from 1 April 2017, and 18% with effect from 1 April 2020. The Company has calculated its deferred tax asset based on a UK tax rate of 18%.

In the March 2016 Budget it was announced that the UK Corporation Tax rate will fall to 17% with effect from 1 April 2020, this rate is expected to be substantively enacted in Autumn 2016 and consequently has not been used to measure the deferred tax numbers recorded in the Statement of Financial Position.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

10 INTANGIBLE ASSETS

	Technology and capitalised development costs £'000	Customer database £'000	Other £'000	Total £'000
Cost				
1 May 2015	8,521	84	352	8,957
Additions	2,394	-	172	2,566
Disposals	(3,408)	(64)	(126)	(3,598)
30 April 2016	7,507	20	398	7,925
Amortisation				
1 May 2015	5,237	84	227	5,548
Charge for year	2,873	-	57	2,930
Disposal	(3,408)	(64)	(126)	(3,598)
30 April 2016	4,702	20	158	4,880
Net book value				
30 April 2016	2,805	-	240	3,045
30 April 2015	3,284	-	125	3,409

Amortisation of Technology and capitalised development costs is partially recharged to fellow group companies.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Fixtures and fittings	Leasehold improvements	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 May 2015	4,567	542	2,797	2,045	9,951
Additions	1,867	113	273	757	3,010
Disposals	(1,558)	(187)	(291)	(996)	(3,032)
30 April 2016	4,876	468	2,779	1,806	9,929
Depreciation and impairment					
1 May 2015	2,825	280	1,589	1,441	6,135
Charge for year	782	84	861	395	2,122
Disposals	(1,558)	(187)	(291)	(996)	(3,032)
30 April 2016	2,049	177	2,159	840	5,225
Net book value					
30 April 2016	2,827	291	620	966	4,704
30 April 2015	1,742	262	1,208	604	3,816

12 INVENTORY

	30 April 2016 £'000	30 April 2015 £'000
Raw materials and consumables	2,657	2,225

The cost of inventories recognised as an expense and included in cost of sales during the period amounted to £8,865,000.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

13 TRADE AND OTHER RECEIVABLES

	At 30 April 2016	At 30 April 2015
	£'000	£'000
<i>Due within one year:</i>		
Trade receivables	360	190
Other receivables	779	1,529
Prepayments	1,340	703
Amounts owed by group undertakings – Trading	12,021	12,119
Amounts owed by group undertakings - Loan	3,656	4,553
	18,156	19,094

Amounts due from group companies are unsecured, have no fixed date of repayment, are repayable on demand and are subject to interest at market rates.

14 TRADE AND OTHER PAYABLES

	At 30 April 2016	At 30 April 2015
	£'000	£'000
Trade payables	2,375	4,690
Other payables	370	285
Other taxation and social security	912	546
Accruals	5,683	5,293
Amounts owed to group undertakings – Trading	3,918	2,080
Amounts owed to group undertakings – Loan	1,917	1,248
	15,175	14,142

Amounts due to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is accrued based on market rates.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

15 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranty provision	Dilapidations provision	Other provisions	Total
At 1 May 2015	86	7	119	212
Utilised in year	(86)	-	-	(86)
Additions to provisions	99	97	-	196
At 30 April 2016	99	104	119	322

Warranty provision relates to the estimated cost for re-production of products which may require re-work. It is expected that most of these costs will be incurred in the next financial year.

Dilapidations provision relates to the estimated cost of returning leased premises to original condition. The timing of settlement for dilapidations is unknown but not anticipated in the next financial year.

Other provisions relate to various litigation matters. The timing of settlement for litigation matters is unknown but not anticipated in the next financial year.

16 SHARE CAPITAL AND RESERVES

	At 30 April 2016	At 30 April 2015
	£'000	£'000
Authorised:		
50,000,000 ordinary shares of 0.5p each	250	250
Allotted, issued and fully paid:		
13,132,300 ordinary shares of 0.5p each	65	65

17 SHARE BASED PAYMENTS

Following a group reconstruction, the Group's ultimate parent company changed from Photoways, Inc. to Photobox Holdco Limited. Up until 22 July 2011, all options were granted by the Photoways, Inc Board of Directors under the 2005 Stock Option and Grant Plan Photoways, Inc (together with various Amendments and Addendums). All options issued between 22 July 2011 and 26 January 2016 have been granted under the Long Term Incentive Plan of Photobox Holdco Limited.

Except as determined at the sole discretion of the Board of Directors (of Photoways Inc. for options granted prior to 22 July 2011, and Photobox Holdco Limited for options granted between 22 July 2011 and 26 January 2016, the vesting period of the options starts on the 1st anniversary of the grant date (where 25% of the options vest), and continues with monthly vesting over a period of 36 months. The maximum term of an option is 10 years from the date the option is granted.

Following the reconstruction, all option holders, who had previously received options under the Photoways Inc. 2005 Stock Option and Grant Plan, entered into a swap agreement whereby the options remain under the rules of Photoways Inc plan. However, upon exercise the holder receives an ordinary share in Photobox Holdco Limited rather than a share of common stock in Photoways, Inc. This change to the settlement of the option reflects a

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

17 SHARE BASED PAYMENTS (continued)

modification but does not result in any change in the fair value of the options originally issued under the 2005 plan.

On 26 January 2016, the Photobox Holdco Limited Group was acquired leading to all unvested options lapsing.

The following table illustrates the number of options granted, their vesting start and end dates, their weighted average exercise prices, movements during the year and the numbers of share options remaining to vest at the year-end.

	Year ended 30 April 2016		Year ended 30 April 2015	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At start of period	11,586,230	£0.92	10,643,658	£0.84
Granted	381,250	£1.60	1,617,000	£1.39
Forfeited	(964,380)	£1.42	(648,860)	£0.93
Exercised	(11,003,100)	£0.91	(25,568)	£0.90
At end of period	-	-	11,568,230	£0.92
Exercisable at end of period	-	-	8,562,212	£0.83

The weighted average remaining contractual life for the share options outstanding at 30 April 2016 is nil years (at 30 April 2015: 4.7 years).

The weighted average fair value of the options granted during the year was £0.71 (period ended 30 April 2015: £0.73).

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2016

17 SHARE BASED PAYMENTS (continued)

The following table lists the inputs used:

Grant date	Strike price	Risk free rate	Volatility	Expected life (years)	Fair value
Year ended 31.12.2006	\$1.15	3.70%	57%	5.58 - 6.08	\$0.63 to \$0.65
Year ended 31.12.2007	\$1.15 - \$1.39	4.50%	100%	6.00	\$0.93 to \$1.12
Year ended 31.12.2009	\$1.39	2.10% - 2.50%	100%	6.08	\$1.11
Year ended 31.12.2010	\$1.39	1.27% - 1.93%	60%	6.08	\$0.78 to \$0.79
Year ended 31.12.2011	\$1.39	2.80%	57%	6.00	\$0.77
Year ended 31.12.2011	£0.89	1.03% - 1.32%	57%	6.00	£0.45
4 months ended 30.4.2012	£0.89	1.05%	57%	6.00	£0.45
Year ended 30.4.2013	£0.89	0.69% - 0.78%	57%	6.00	£0.44 to £0.45
Year ended 30.4.2014	£0.89 to £1.39	0.78% - 1.94%	56%-57%	6.00	£0.44 to £0.89
Year ended 30.4.2015	£1.39	2.01%	54%	6.00	£0.73
Year ended 30.4.2016	£1.60	1.38%-1.45%	45%	6.00	£0.71

The expected volatility is based on the historical volatility of comparator listed companies for a period of at least 6 years from the date of grant.

The Black-Scholes model has been used to determine the market value of share options. The transfers to share based payment reserve as per IFRS 2 in relation to the grants of share options to Photobox Limited's part or full time officers, employees or directors for the year ended 30 April 2016 and the year ended 30 April 2015 were £674,000 and £577,000 respectively.

18 COMMITMENTS UNDER OPERATING LEASES

At 30 April, the Company had annual commitments under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 30 April 2016	At 30 April 2015
	£'000	£'000
Land and buildings:		
No later than 1 year	915	1,003
Later than 1 year and no later than 5 years	1,163	2,253
	2,078	3,257

19 CONTINGENT LIABILITIES

The Company has given a guarantee in respect of the bank borrowings of another group company, which amounted to £222,759,000 at 30 April 2015 (2015 - £61,341,000).

20 RELATED PARTY TRANSACTIONS

During the year the Company entered into transaction, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2016

21 ULTIMATE GROUP UNDERTAKING

The Company's immediate parent undertaking is Photobox Holdco Beta Limited.

The Company's ultimate parent undertaking and controlling party is Horizon Holdco Limited, which is incorporated in the UK. This is the largest group in whose financial statements the Company is consolidated. Copies of the group financial statements are available from 30 Great Guildford Street, London, SE1 0HS.

22 TRANSITION TO FRS 101

For all periods up to and including the year ended 30 April 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 30 April 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 May 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 May 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 May 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 30 April 2015. On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards" except for the requirement of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition.

Exemptions Applied

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2015 year ends retrospectively. The Company has taken advantage of the following exemptions:

- IFRS 2 Share based payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005. This is treatment is consistent with the transitional provisions taken when the company adopted FRS 20, the UK equivalent standard.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2016

Reconciliation of Statement of Profit or Loss for year ended 30 April 2015

		UK GAAP	FRS 101 Remeasurements	FRS 101
		£'000	£'000	£'000
Revenue	(a)	62,144	21,286	83,430
Cost of sales	(a) (b)	(29,696)	(15,814)	(45,510)
Gross profit		32,448	5,472	37,920
Administrative expenses	(a)	(26,758)	(5,507)	(32,265)
Operating profit		5,690	(35)	5,655
Finance income		248	-	248
Finance costs		(363)	-	(363)
Profit before taxation		5,575	(35)	5,540
Taxation	(c)	(2,024)	203	(1,821)
PROFIT FOR THE PERIOD		3,551	168	3,719

Restatement of equity from UK GAAP to FRS 101:

- a) Group services: Restatement of services provided to fellow group companies.
- b) Lease incentive: Re-measurement of lease incentive to be spread over the life of the lease.
- c) Deferred tax : Revision of deferred tax asset arising on share based payments.

Photobox Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 April 2016

Reconciliation of Statement of Financial Position at 1 May 2014

	UK GAAP	FRS 101 Remeasurements	FRS 101
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	2,570	-	2,570
Intangible assets	2,173	-	2,173
Deferred tax assets (a)	1,422	(117)	1,305
Other non-current assets	284	-	284
Total non-current assets	6,449	(117)	6,332
Current assets			
Inventories	1,466	-	1,466
Trade and other receivables	11,222	-	11,222
Corporation tax receivable	509	-	509
Cash and cash equivalents	9,861	-	9,861
Total current assets	23,058	-	23,058
TOTAL ASSETS	29,507	(117)	29,390
LIABILITIES			
Current liabilities			
Trade and other payables (b)	(16,005)	(130)	(16,135)
Deferred revenue	(712)	-	(712)
Provisions for other liabilities and charges	(387)	-	(387)
Total current liabilities	(17,104)	(130)	(17,234)
NET ASSETS	12,403	(247)	12,156
CAPITAL AND RESERVES			
Equity attributable to owners of the parent			
Ordinary share capital	65	-	65
Share premium	855	-	855
Retained profit	11,483	(247)	11,236
TOTAL EQUITY	12,403	(247)	12,156

Restatement of equity from UK GAAP to FRS 101:

- a) Deferred tax : Revision of deferred tax asset arising on share based payments.
- b) Lease incentive: Re-measurement of lease incentive to be spread over the life of the lease.

Photobox Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 April 2016

Reconciliation of Statement of Financial Position at 30 April 2015

	Notes	UK GAAP	FRS 101 Remeasurements	FRS 101
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Property, plant and equipment		3,816	-	3,816
Intangible assets		3,409	-	3,409
Deferred tax assets	(a)	1,236	364	1,600
Other non-current assets		428	-	428
Total non-current assets		8,889	364	9,253
Current assets				
Inventories		2,225	-	2,225
Trade and other receivables		19,094	-	19,094
Corporation tax receivable		-	-	-
Cash and cash equivalents		2,740	-	2,740
Total current assets		24,059	-	24,059
TOTAL ASSETS		32,948	364	33,312
LIABILITIES				
Current liabilities				
Trade and other payables	(b)	(13,978)	(164)	(14,142)
Deferred revenue		(804)	-	(804)
Income tax payable		(1,423)	-	(1,423)
Provisions for other liabilities and charges		(212)	-	(212)
Total current liabilities		(16,417)	(164)	(16,581)
NET ASSETS		16,531	200	16,731
CAPITAL AND RESERVES				
Equity attributable to owners of the parent				
Ordinary share capital		65	-	65
Share premium		855	-	855
Retained profit		15,611	200	15,811
TOTAL EQUITY		16,531	200	16,731

Restatement of equity from UK GAAP to FRS 101:

- a) Deferred tax : Revision of deferred tax asset arising on share based payments.
- b) Lease incentive: Re-measurement of lease incentive to be spread over the life of the lease.