

Snap Equity Limited

**Directors' report and consolidated
financial statements**

Registered number 6950821

For the 52 weeks ended 1 January 2012

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Directors' report

The directors present their annual report and the audited financial statements for the 52 weeks ended 1 January 2012 (2011 15 month trading period to 2 January 2011)

Principal activities

Snap Equity Limited is a holding company for a group of companies (together the "Group") whose principal activity is the retail of photographic products and services

Business review

The Jessop Group Limited ("Jessops" or the "Company") is the UK's leading retailer of photographic products and services. The Company celebrated 75 years in business in 2010 and currently operates from 200 stores across the UK.

In 2011, the management team continued to work hard to deliver a leading customer proposition based on Choice and Service.

During the period, the rollout of the new 'Black' store format, featuring 'live product' continued with a further 20 store refurbishments of existing or relocated stores and 6 new stores. All stores performed well, with refurbishments and relocations delivering an uplift of over 20% on pre-refurbishment sales. We now have 6 'Centres of Excellence' in London, Birmingham, Manchester, Edinburgh and Belfast which are larger footprint, extended range stores, featuring branded shops in shops, portfolio studios and training academy facilities.

In the 52 week period to 1 January 2012, total like-for-like sales were up 1.3%, with total online (direct to home and collect at store) growth of 79%. Jessops also grew market share in all key hardware and accessories product categories over this period.

Post the year end, the 'Black' store improvement program continued on track with 1 new store, 1 relocated store and 1 refurbishment featuring live product completed by the 30 April. Over half of the estate, 118 of the 200 stores, now trades with black frontage and almost half, 94 stores, feature live product.

During 2011 and into 2012 Jessops has maintained leading market shares in the DSLR, CSC, Lens and Accessories product categories, while the new store format and multi-channel offering, as well as innovation such as in store large format printers and portfolio studios, have continued to widen the appeal of Jessops' offer.

During 2011 the Group restructured its bank facilities, increasing the committed loan facility by £8 million and reducing the uncommitted seasonal overdraft facility. The Group ended the year with £1.7 million cash. The uncommitted overdraft facility currently in place is due for review in November 2012, however, in discussions with the Directors, the Lenders have indicated that subject to the borrowing requirements of the Group being in line with their expectations, which are consistent with the Directors' forecasts, it is their current intention to make facilities available at a level adequate to meet the funding requirements at and beyond the formal facilities renewal date in November 2012.

Whilst the Directors anticipate market conditions will remain challenging in the foreseeable future, with its multi-channel proposition supported by innovation, Jessops is well positioned to deliver further profitable market share growth.

Financial results

Turnover for the period to 1 January 2012 was £236.7 million (15 month period to 2 January 2011 £304.6 million) and gross profit for the same period was £72.5 million (15 month period to January 2011 £87.7 million).

The total loss after tax for the period was £(5.2) million (15 month period to January 2011 Loss of £(12.0) million).

EBITDA (total profit before interest, taxation, depreciation, impairment, amortisation and non-recurring costs) for the period was £5.7 million (15 month period to January 2011 £9.3 million).

Directors' report (continued)

Principal risks and uncertainties

Jessops operates in a very competitive retail environment and there is an on-going risk that sales may be lost to rival businesses. The general economic environment and market condition for the products and services are also risks common to all retailers. The directors believe that one of the key differentiators of the Jessops business model is customer service and they seek to build on this to set the Group apart from its competitors.

Financial risk management

The Group's activities expose it to a number of potential financial risks and the Group's treasury policies, which have been developed wherever possible to mitigate these financial risks, are reviewed and approved by the Board.

The objective is to ensure that the Group has access to liquidity at all times and has a continuity of funding available. This is targeted through arranging funding ahead of requirements and maintaining sufficient un-drawn committed facilities to meet unanticipated needs.

The Group's policy is to finance its operations through a mixture of retained profits and bank borrowings.

The Group's activities expose it to a number of financial risks, including price risk, credit risk, cash flow risk and liquidity risk. The Group does not trade in derivative financial instruments for speculative purposes.

Price Risk The Group is exposed to commodity price risk. The Group does not manage its exposure to commodity price risk due to cost benefit considerations.

Credit Risk The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash Flow Risk The Group's activities expose it to the financial risks of changes in foreign currency exchange and interest rates. Where appropriate, the Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures, although no such instruments were in place at the period end.

Liquidity Risk In order to maintain liquidity and ensure that sufficient funds are available for on-going operations and future developments, the Group seeks a mixture of long-term and short-term debt finance. See note 1 in the financial statements for more details.

Dividends

The directors do not propose a dividend for the period ended 1 January 2012 (2011: £nil).

Directors

The directors who held office during the period were as follows:

TP Moore

AJ Fort

MJ Everett (appointed 29 February 2012)

J Boydell (appointed 28 October 2011)

DAR Adams (resigned 29 February 2012)

Policy and practice on payment of creditors

The Group's policy is to pay amounts owed to creditors as they fall due. The Group does not follow any code or standard on payment practice.

At the period end there were 52 days purchases in trade creditors (2 January 2011: 51 days).

Directors' report *(continued)*

Employees

Ensuring that colleagues are of the right calibre and remain appropriately motivated is key to ensuring that customer service levels remain at a constantly high level. The Group employs a combination of full time and part time employees that reflect both the daily peaks of summer and Christmas.

It is the policy of the Group to provide employment equality to all colleagues irrespective of race, ethnic religion, nationality, gender, age, marital or family status, disability, religious belief, political opinion or sexual orientation.

Where possible, full details of all available vacancies are posted internally. Appointments are made on the basis of skills, experience and aptitude required for the vacancy.

Political and charitable contributions

The Group donated £3,180 to charity during the period (2011 £2,800).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

After making suitable enquiries, the directors believe that the Group has adequate resources to continue to adopt the going concern basis in preparing the financial statements. This matter is more fully described in note 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



J Boydell
Director

Jessop House
98 Scudamore Road
Leicester
LE3 1TZ

28 May 2012

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Snap Equity Limited

We have audited the financial statements of Snap Equity Limited for the 52 week period ended 1 January 2012 set out on pages 6 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 1 January 2012 and of the group's loss for the 52 weeks then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, 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 the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.

Wayne Cox (Senior Statutory Auditor)

30 May 2012

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Consolidated profit and loss account
for the period ended 1 January 2012

	<i>Note</i>	52 weeks ended 1 January 2012 £000	15 month trading period ended 2 January 2011 £000
Turnover	2	236,748	304,570
Cost of sales		(164,233)	(216,892)
Gross profit		<u>72,515</u>	<u>87,678</u>
Administrative expenses			
Recurring		(72,244)	(87,243)
Non-recurring	3	(729)	(6,643)
Impairment and amortisation of goodwill	11	(3,080)	(35,095)
Total administrative expenses		<u>(76,053)</u>	<u>(128,981)</u>
Other operating income	4	-	31,250
Operating loss		<u>(3,538)</u>	<u>(10,053)</u>
Other interest receivable and similar income	8	-	264
Interest payable and similar charges	9	(1,625)	(2,216)
Loss on ordinary activities before taxation	5	<u>(5,163)</u>	<u>(12,005)</u>
Tax on loss on ordinary activities	10	-	-
Loss for the financial period	20	<u><u>(5,163)</u></u>	<u><u>(12,005)</u></u>

In the current period the Group and Company made no material acquisitions and had no discontinued operations (2011 all activities related to acquisitions)

There were no recognised gains or losses in the current and preceding period other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

Consolidated balance sheet
at 1 January 2012

	<i>Note</i>	1 January 2012		2 January 2011	
		£000	£000	£000	£000
Fixed assets					
Goodwill	11		23,870		26,950
Tangible assets	12		12,803		14,938
			<u>36,673</u>		<u>41,888</u>
Current assets					
Stocks	14	23,789		21,956	
Debtors	15	9,332		10,101	
Cash		1,720		-	
		<u>34,841</u>		<u>32,057</u>	
Creditors amounts falling due within one year	16	(53,884)		(77,840)	
Net current liabilities			<u>(19,043)</u>		<u>(45,783)</u>
Total assets less current liabilities			<u>17,630</u>		<u>(3,895)</u>
Creditors: amounts falling due after more than one year	17		(30,500)		(2,520)
Provisions for liabilities	18		(4,298)		(5,590)
Net liabilities			<u>(17,168)</u>		<u>(12,005)</u>
Capital and reserves					
Called up share capital	19		-		-
Profit and loss account	20		(17,168)		(12,005)
Equity shareholders' deficit			<u>(17,168)</u>		<u>(12,005)</u>

These financial statements were approved by the Board of Directors on 28 May 2012 and were signed in its behalf by



J Boydell
Director

Company balance sheet
at 1 January 2012

	Note	1 January 2012		2 January 2011	
		£000	£000	£000	£000
Fixed assets					
Investments	13		-		-
Current assets					
Debtors	15	30,708		22,709	
Creditors: amounts falling due within one year	16	(2,705)		(21,492)	
Net current assets			28,003		1,217
Total assets less current liabilities			28,003		1,217
Creditors: amounts falling due after more than one year	17	(30,500)		(2,500)	
Net liabilities			(2,497)		(1,283)
Capital and reserves					
Called up share capital	19		-		-
Profit and loss account	20		(2,497)		(1,283)
Equity shareholders' deficit			(2,497)		(1,283)

These financial statements were approved by the Board of Directors on 28 May 2012 and were signed on its behalf by



J Boydell
Director

Company registered number 6950821

Consolidated cash flow statement
for the 52 weeks ended 1 January 2012

	<i>Note</i>	52 weeks ended 1 January 2012 £000	15 month trading period ended 2 January 2011 £000
Cash flow statement			
Cash flow from operating activities	24	(566)	12,737
Returns on investments and servicing of finance	25	(891)	(1,523)
Taxation		-	(33)
Capital expenditure	25	(3,669)	(4,720)
Acquisition	25	-	(7,774)
		<hr/>	<hr/>
Cash outflow before financing		(5,126)	(1,313)
Financing	25	7,599	560
		<hr/>	<hr/>
Increase/(decrease) in cash in the period		2,473	(753)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		2,473	(753)
Cash inflow from increase in loans		(8,000)	(54,000)
Repayment of loan notes		125	125
Repayment of capital element of finance lease rental payments		276	775
Repayment of loans		-	52,540
		<hr/>	<hr/>
Change in net debt resulting from cash flow		(5,126)	(1,313)
Other non cash movements		-	31,250
Loans and finance leases acquired		-	(53,611)
		<hr/>	<hr/>
Movement in net debt in the period		(5,126)	(23,674)
Net debt at the start of the period		(23,674)	-
		<hr/>	<hr/>
Net debt at the end of the period	26	(28,800)	(23,674)
		<hr/>	<hr/>

Reconciliations of movements in shareholders' deficit
for the 52 weeks ended 1 January 2012

	Group 52 weeks ended 1 January 2012 £000	Group 15 month trading period ended 2 January 2011 £000	Company 52 weeks ended 1 January 2012 £000	Company 15 month trading period ended 2 January 2011 £000
Loss for the financial period	(5,163)	(12,005)	(1,214)	(1,283)
Net reduction in shareholders' funds	(5,163)	(12,005)	(1,214)	(1,283)
Opening shareholders' deficit	(12,005)	-	(1,283)	-
Closing shareholders' deficit	(17,168)	(12,005)	(2,497)	(1,283)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared under UK Generally Accepted Accounting Practice, in accordance with applicable accounting standards and under the historical cost accounting rules

Going concern

The Company and the Group meet their day to day working capital and medium term funding requirements through banking facilities

The bank facilities include an uncommitted overdraft, available on a seasonal basis which varies up to a maximum of £10 million. In addition the Group has a committed loan facility of £28 million and £2.5 million of loan notes. Quarterly £0.5 million loan repayments commence on 28 September 2012.

The committed facilities contain certain financial covenants. The covenants are tested quarterly and are based around gearing, interest cover, fixed charge cover and debt service. The failure of a covenant test renders the entire facilities repayable on demand at the option of the lender. At the period end the Group was not in breach of the terms of its facilities and hence the debt is shown as due in part in greater than one year from the balance sheet date.

The current economic conditions create uncertainty around the level of demand for the Group's products. However, the Group has opportunities to optimise trading both in store and online and has long-term relationships with many of its key suppliers. As a consequence, the directors believe the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The Directors have prepared trading and cash flow forecasts and projections for a period in excess of one year from the date of the approval of these financial statements. The forecasts prepared make assumptions in respect of future trading conditions which the Directors consider to be reasonable based on the information that is available to them at the time of the approval of these financial statements. These forecasts have also been sensitivity-tested for reasonable possible adverse variations in trading performance.

The uncommitted overdraft facility currently in place is due for review in November 2012 with expiry in December 2012. However in discussions with the Directors, the Lenders have indicated that subject to the borrowing requirements of the Group being in line with their expectations, which are consistent with the Directors' forecasts, it is their current intention to make facilities available at a level adequate to meet the funding requirements at and beyond the formal facilities review date in November 2012. This statement by the lenders is without prejudice to their position, is a statement of their current intention only and does not amount to a binding commitment.

Having considered the statements made by the Lenders and all of the other relevant information available to them at the time of the approval of these financial statements, the Directors have a reasonable expectation that the Company and the Group have and will continue to adequate resources to continue in operational existence for the immediately foreseeable future. The financial statements are therefore prepared on a Going Concern basis as appropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of Snap Equity Limited ("the Company") and its subsidiary undertakings ("the Group") made up to 1 January 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The Company made a loss for the period of £1,214,000 (2011: £1,283,000) (note 20).

Notes (continued)

1 Accounting policies (continued)

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the Group's goodwill is 10 years.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer software	- 3 to 5 years
Leases and lease premiums	- over the terms of the respective leases
Freehold buildings	- 50 years
Alterations to leased property	- over the terms of the respective leases
Office equipment	- 2 to 5 years
Fixtures and fittings, plant and machinery and vehicles	- 3 to 5 years

No depreciation is provided on freehold land or assets in the course of construction.

Impairment of fixed assets and goodwill

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Notes (continued)

1 Accounting policies (continued)

Impairment of fixed assets and goodwill (continued)

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiaries are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the period. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

During the period, the Group operated a defined contribution pension scheme. The assets of the scheme were held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Group

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents the fair value of consideration receivable in the ordinary course of business for goods sold and services provided. It excludes sales between Group companies, returns, discounts given and VAT. Turnover is recognised at the point of sale, other than for internet and mail order sales where recognition is on despatch of the goods.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Segmental information

The Group has one main segment, which is retail and one main geographical segment, which is the United Kingdom.

3 Non-recurring items

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
Redundancy costs and store closures	740	864
Vacant property provision movement (note 18)	25	2,682
(Reversal of impairment)/impairment of tangible fixed assets (note 12)	(36)	1,128
Professional fees and items related to the group restructuring in 2009	-	1,969
	<u>729</u>	<u>6,643</u>

The tax effect of the non-recurring items is to increase the unrecognised deferred tax asset by £0.2 million (2011 £1.3 million).

Notes (continued)

4 Other operating income

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
Gain arising from debt restructuring	-	31,250

5 Loss on ordinary activities before taxation

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	5,197	7,490
Leased	509	1,095
Impairment of goodwill	-	31,250
Amortisation of goodwill	3,080	3,845
(Reversal of impairment)/impairment of tangible fixed assets	(36)	1,128
(Profit)/loss on disposal of assets	(272)	304
Hire of plant and machinery - operating leases	1,458	240
Property rent - operating leases	11,661	13,282
<i>Auditor's remuneration</i>		
Audit of these financial statements	24	20
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	70	86
Other services	397	-
Taxation	45	45

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

Notes (continued)

6 Remuneration of directors

The directors are paid by The Jessop Group Limited. The remuneration of all Group directors is shown below.

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
Directors' emoluments	600	858
Company contributions to defined contribution pension schemes	26	37
	<u>626</u>	<u>895</u>

	Period ended 1 January 2012	Period ended 2 January 2011
Retirement benefits are accruing to the following number of directors under Defined contribution pension schemes	3	2

The aggregate of emoluments of the highest paid director were £408,000 (2011 £457,000) and Company contributions of £25,000 (2011 £33,333) were made to a defined contribution pension scheme on his behalf.

7 Staff numbers and costs

The average number of persons employed by the Group (including the directors) during the period, analysed by category, was as follows:

	Group Period ended 1 January 2012 Number of employees	Group Period ended 2 January 2011 Number of employees
Selling	1,483	1,623
Administration	143	139
	<u>1,626</u>	<u>1,762</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	23,040	28,114
Social security costs	1,821	2,260
Other pension costs	151	115
	<u>25,012</u>	<u>30,489</u>

The Company has no employees.

Notes (continued)

8 Other interest receivable and similar income

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
Other interest	-	264
	<u> </u>	<u> </u>

9 Interest payable and similar charges

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
On bank overdrafts	399	556
On hire purchase agreements	11	56
On bank loans	1,214	1,504
Other interest	1	100
	<u> </u>	<u> </u>
	1,625	2,216
	<u> </u>	<u> </u>

10 Taxation

Analysis of charge in period

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
Total current tax	-	-
<i>Deferred tax</i>		
Origination/reversal of timing differences	1,221	595
Effect of law changes	(1,221)	(595)
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	-	-
	<u> </u>	<u> </u>

Notes (continued)

10 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (15 month period ended 2 January 2011 higher) than the standard rate of corporation tax in the UK of 26.5% (15 month period ended 2 January 2011 28%). The differences are explained below

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,163)	(12,005)
	<hr/>	<hr/>
Current tax at 26.5% (2011 28%)	(1,368)	(3,361)
<i>Effects of</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation and impairment)	823	1,601
Decrease in other timing differences	(16)	(265)
Depreciation on ineligible items	95	120
Creation/(utilisation) of tax losses	301	(531)
Depreciation in excess of capital allowances	168	2,438
Lease premiums	(3)	(2)
	<hr/>	<hr/>
Total current tax charge	-	-
	<hr/>	<hr/>

Factors affecting the future tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will be reduced to 22% by 2014. A reduction in the rate from 26% to 24% (effective from 1 April 2012) was substantively enacted on 30 March 2012.

This will reduce the Group's future tax charge accordingly and further reduce the deferred tax asset at balance sheet date (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date).

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the company's future current tax charge and reduce the Group's deferred tax asset accordingly.

Deferred tax

At the balance sheet date the Group has unused tax losses of £7,072,000 (2011 £7,520,000) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses due to the unpredictability of future profit streams.

Due to the unpredictability of future profit streams the Group has also not recognised a deferred tax asset in respect of fixed assets amounting to £8,005,000 (2011 £8,537,000) and in respect of other timing differences amounting to £296,000 (2011 £14,000).

Notes (continued)

11 Intangible fixed assets

Group	Goodwill £000
<i>Cost</i>	
At beginning of period	62,045
At end of period	<u>62,045</u>
<i>Amortisation and impairment</i>	
At beginning of period	35,095
Charged in period	3,080
At end of period	<u>38,175</u>
<i>Net book value</i>	
At 1 January 2012	<u><u>23,870</u></u>
At 2 January 2011	<u><u>26,950</u></u>

Goodwill resulted from the acquisition of Camera Bond Limited and its subsidiaries. At the date of the acquisition, the directors made the decision to immediately impair the value of goodwill as the quantum of the debt reorganisation provided effective evidence of recoverable amount. The remaining balance is being amortised evenly over the directors' estimate of its useful economic life of 10 years.

In the preceding period, the impairment charge was recognised in administrative expenses within the profit and loss account.

Notes (continued)

12 Tangible fixed assets

Group

	Land and buildings £000	Alterations to short leasehold property £000	Office equipment £000	Fixtures and fittings, plant and machinery, vehicles and computer software £000	Assets in the course of construction £000	Total £000
Cost						
At beginning of period	5,360	6,146	24,589	59,811	728	96,634
Additions	-	198	180	4,760	-	5,138
Disposals	(1,657)	(67)	(30)	(394)	-	(2,148)
Transfers	-	-	728	-	(728)	-
At end of period	3,703	6,277	25,467	64,177	-	99,624
Depreciation						
At beginning of period	1,245	4,680	21,975	53,796	-	81,696
Charge for the period	49	278	1,724	3,655	-	5,706
On disposals	(298)	(54)	(13)	(180)	-	(545)
(Reverse) impairment	(18)	-	(44)	26	-	(36)
At end of period	978	4,904	23,642	57,297	-	86,821
Net book value						
At 1 January 2012	2,725	1,373	1,825	6,880	-	12,803
At 2 January 2011	4,115	1,466	2,614	6,015	728	14,938

Included in the total net book value of fixtures and fittings, plant and machinery and vehicles is £nil (2011 £509,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £509,000 (2011 £1,095,000).

For the purposes of impairment testing, the directors deem that each store is an income generating unit. An impairment provision has been recognised where it is deemed that the carrying value of tangible fixed assets held at individual stores exceed their recoverable amount. Any impairment provision is recognised in administrative expenses in the profit and loss account.

The recoverable amount of each income generating unit has been calculated by reference to its value in use, this is based on cash flow projections. Whilst not a critical assumption, a discount rate of 12% has been applied.

Notes (continued)

13 Fixed asset investments

Company

	Shares in group undertaking 1 January 2012 £	Shares in group undertaking 2 January 2011 £
<i>Cost</i>		
At beginning of period	8	-
Additions	-	8
	<hr/>	<hr/>
At end of period	8	8
	<hr/>	<hr/>

The undertakings in which the Company's interest at the period end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held by the company %
<i>Subsidiary undertakings</i>			
Camera Bond Limited	England	Intermediate holding company	100 ordinary
			<hr/>

The principal undertakings in which the Group's interest at the period end is more than 20% are as follows

Company	Country of incorporation	Principal activity	Class and percentage of shares held by the Group %
Camera Mezz Limited	England	Intermediate holding company	100 ordinary
Camera Equity Limited	England	Intermediate holding company	100 ordinary
The Jessop Group Limited	England	Photo imaging products and services retailer	100 ordinary
Well Hall (Jersey) Limited	England	Photo imaging products and services retailer	100 ordinary
Expert Imaging Limited	England	Dormant	100 ordinary
			<hr/>

14 Stocks

	Group 1 January 2012 £000	Group 2 January 2011 £000	Company 1 January 2012 £000	Company 2 January 2011 £000
Finished goods and goods for resale	23,789	21,956	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

15 Debtors

	Group 1 January 2012 £000	Group 2 January 2011 £000	Company 1 January 2012 £000	Company 2 January 2011 £000
Trade debtors	5,977	7,142	-	-
Other debtors	365	109	-	-
Prepayments and accrued income	2,990	2,850	-	-
Amounts receivable from group undertakings	-	-	30,708	22,709
	<u>9,332</u>	<u>10,101</u>	<u>30,708</u>	<u>22,709</u>

16 Creditors: amounts falling due within one year

	Group 1 January 2012 £000	Group 2 January 2011 £000	Company 1 January 2012 £000	Company 2 January 2011 £000
Bank overdrafts	-	753	-	-
Term loan (see below and note 17)	-	20,000	-	20,000
Loan note	-	125	-	125
Obligations under finance leases and hire purchase contracts (secured)	20	276	-	-
Trade creditors	43,627	48,583	-	-
Amounts owed to group undertakings	-	-	1,834	1,126
Taxation and social security	1,264	890	-	-
Other creditors	4,673	393	-	-
Accruals	4,300	6,820	871	241
	<u>53,884</u>	<u>77,840</u>	<u>2,705</u>	<u>21,492</u>

Bank facilities are secured by fixed and floating charges over the Group's assets

Interest is payable based on Bank of England base rate plus 4%

Obligations under hire purchase agreements are secured upon the asset to which they relate

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group 1 January 2012 £000	Company 1 January 2012 £000	Group 2 January 2011 £000	Company 2 January 2011 £000
Obligations under finance leases and hire purchase contracts (secured)	-	-	20	-
Term Loan	28,000	28,000	-	-
Secured loan notes	2,500	2,500	2,500	2,500
	<u>30,500</u>	<u>30,500</u>	<u>2,520</u>	<u>2,500</u>

The loan notes are repayable on 29 September 2014. Interest is payable based on Bank of England base rate plus 4%.

On 30 August 2011, the term loan facility was restructured to increase the term loan to £28 million. The term loan is repayable in quarterly instalments of £500,000 commencing on 28 September 2012 and a final payment of £24 million on 29 September 2014. Interest is payable at a rate of 3.5% over LIBOR.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group 1 January 2012 £000	Group 2 January 2011 £000
Within one year	23	288
In the second to fifth years	-	21
	<u>23</u>	<u>309</u>
Less future finance charges	(3)	(13)
	<u>20</u>	<u>296</u>

18 Provisions for liabilities

	Restructuring provisions £000
Group	
At beginning of period	5,590
Utilised in the period	(1,317)
Released in the period	(914)
Created in the period	939
At end of period	<u>4,298</u>

The provision for restructuring represents the anticipated future costs of disposing of vacant properties as well as the estimated rent, rates, lease premiums and dilapidations to the point of disposal of the properties.

Of the total provision at 1 January 2012, £1,144,000 is expected to be utilised in the next 12 months.

Notes (continued)

19 Called up share capital

	1 January 2012 £	2 January 2011 £
<i>Allotted, called up and fully paid:</i>		
264 A ordinary shares of £0.01 each	3	3
218 B ordinary shares of £0.01 each	2	2
158 C ordinary shares of £0.01 each	1	1
160 D ordinary shares of £0.01 each	2	2
	<u>8</u>	<u>8</u>

There is no difference in the rights attaching to the different classes of shares except that the A ordinary shares and B ordinary shares have no entitlement to vote

20 Reserves

	Profit and loss account £000
Group	
At beginning of period	(12,005)
Loss for the period	(5,163)
	<u>(17,168)</u>
At end of period	
Company	
At beginning of period	(1,283)
Loss for the period	(1,214)
	<u>(2,497)</u>
At end of period	

21 Contingent liabilities

The Company and certain subsidiaries have given joint and several guarantees in connection with all bank facilities provided by the Group's principal bankers

The Group's banking facilities are subject to a netting facility whereby credit balances may be offset against the indebtedness of other Group companies

Notes (continued)

22 Commitments

- (i) There were no capital commitments as at 1 January 2012 in either the Company or Group
- (ii) The Company has no annual commitments. The annual commitments under non-cancellable operating leases for the Group are as follows

	2012		2011	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	721	226	460	245
In the second to fifth years inclusive	4,591	1,291	4,675	-
Over five years	5,055	-	4,496	-
	<u>10,367</u>	<u>1,517</u>	<u>9,631</u>	<u>245</u>

23 Pension schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £151,000 (2011 £115,000).

At 1 January 2012 contributions amounting to £26,000 (2 January 2011 £17,000) were payable by the Group to the scheme and are included in creditors.

24 Reconciliation of operating loss to operating cash flows

	Period ended 1 January 2012 £000	Period ended 2 January 2011 £000
Operating loss	(3,538)	(10,053)
Depreciation and impairment charges	5,670	9,713
Amortisation and impairment of goodwill	3,080	35,095
Gain arising from debt restructuring	-	(31,250)
(Profit)/loss on sale of fixed assets	(272)	304
Increase in stocks	(1,833)	(4,643)
Decrease/(increase) in debtors	769	(2,615)
(Decrease)/increase in creditors	(3,150)	16,616
Decrease in provisions	(1,292)	(430)
Net cash (outflow)/inflow from operating activities	<u>(566)</u>	<u>12,737</u>

Notes (continued)

25 Analysis of cash flows

	Period ended 1 January 2012		Period ended 2 January 2011	
	£000	£000	£000	£000
Returns on investment and servicing of finance				
Interest received	-		264	
Interest paid	(880)		(1,757)	
Interest element of finance lease rental payments	(11)		(30)	
		(891)		(1,523)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(5,544)		(5,550)	
Sale of tangible fixed assets	1,875		830	
		(3,669)		(4,720)
Acquisitions and disposals				
Net overdraft acquired with subsidiary undertaking	-		(7,774)	
		-		(7,774)
Financing				
New borrowing	8,000		54,000	
Repayment of borrowings	(125)		(125)	
Capital element of finance lease rental payments	(276)		(775)	
Repayment of other loans	-		(52,540)	
		7,599		560

26 Analysis of net debt

	At beginning of period	Cash flow	At end of period
	£000	£000	£000
Overdrafts	(753)	753	-
Cash at bank	-	1,720	1,720
	(753)	2,473	1,720
Term loan	(20,000)	(8,000)	(28,000)
Loan note	(2,625)	125	(2,500)
Finance leases	(296)	276	(20)
Total	(23,674)	(5,126)	(28,800)

Notes *(continued)*

27 Ultimate controlling party

The directors do not consider that there is a single controlling party

These financial statements are the largest group in which the results of the Company are consolidated. No other group financial statements include the results of the Company.