PhotoBox Holdco Limited

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Year end 30 April 2015

Company Registration No. 07648443

PhotoBox Holdco Limited
DIRECTORS AND OFFICERS

DIRECTORS

LB Amouyal (resigned 12 February 2015)
JM Bouhelier
MW Chapman (resigned 16 February 2015)
LR Handen (resigned 1 October 2014)
SM Laurent
PB Lipson
FJ Mullen
N Rimer
CF Kane
DS McCallum (appointed 15 January 2015)
H Pretorius (appointed 15 January 2015)

SECRETARY

Abogado Nominees Limited

REGISTERED OFFICE

100 New Bridge Street
London
EC4V 6JA

AUDITOR

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

REVIEW OF THE BUSINESS

The Group performed strongly in the 12 month period, with revenue of £215,263,000 (2014: £175,311,000) generating Operating Profit before Exceptional Items, Amortisation and Share Based Payment Expense of £23,831,000 (2014: £15,632,000).

Revenue for the year saw a continuation of the strong growth seen in previous years, achieving 23% year on year increase through both organic growth and acquisition. During the year the group strengthened its presence in Spain by acquiring Hofmann Marketing y Technologia, S.L ("Hofmann"), Spain's leading provider of photobooks.

The Group excluding Hofmann grew revenues at 14% as a result of new customer acquisition and focus on existing customer loyalty.

The Directors are satisfied with the net asset position of the Company at £88,243,000 (2014: £89,620,000) and its liquidity at the year end.

RESULTS

The profit for the year, after taxation, is £1,124,000 (2014: £3,675,000).

PRINCIPAL RISKS AND UNCERTAINTIES

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

Legislative risks
The Group is subject to consumer law in the jurisdictions in which it operates, including distance-selling and data-protection directives. In addition, the Group's production facilities are subject to further legislation (for example, in respect of Health and Safety and Waste Processing). The Group 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
The majority of Group revenues are derived from credit card transactions over the internet, reaching Group bank accounts in 3 to 4 days. Suppliers are generally paid on 30 day terms or more and therefore the Group'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 Group transacts mainly in Sterling and Euro. The Directors consider that the Group has a partial natural hedge in place as regards the Euro (where receipts and payments are broadly matched). All other material cashflows are in Sterling.

KEY PERFORMANCE INDICATORS

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

	Year ended 30 April 2015	Year ended 30 April 2014
Revenue (£'000)	£215,263	£175,311
Gross Profit (£'000)	£111,689	£91,612
Gross Profit vs Revenue	51.9%	52.3%
Underlying EBITDA* (£'000)	£28,580	£19,786
Underlying EBITDA as % of revenue	13.3%	11.3%

*The directors consider that operating profit before interest, tax, depreciation, amortisation, exceptional items, share based payment expense, non-recurring items and foreign exchange (Underlying EBITDA) is a primary measure of operational profitability, and therefore considered to be a key performance indicator.

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Operating Profit before Exceptional Items, Amortisation and Share Option Expense	23,831	15,632
Depreciation	4,326	3,830
Foreign exchange loss/(gain)	(26)	3
Non-recurring items	449	321
Underlying EBITDA	28,580	19,786

By order of the board

S Laurent 9 July 2015
Director

The directors present their report and consolidated financial statements for the year ended 30 April 2015.

DIVIDENDS

The directors do not recommend the payment of a dividend (2014: £nil).

FUTURE DEVELOPMENTS

The directors expect the Group to continue its current activities. The Group intends to continue to improve underlying profitability in 2015/6 through growth in sales from continuing activities, coupled with improved gross margins and controlled management of operating expenditure.

DIRECTORS

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

RESEARCH & DEVELOPMENT

Development expenditure is capitalised when its future recoverability can be foreseen with reasonable assurance and is amortised over a 3 year period. All research and other development costs are written off as incurred.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 14 sets out certain factors relevant to the directors' consideration in reaching this assessment.

EMPLOYMENT POLICIES

The Group 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 Group. In the event of any staff becoming disabled while with the Group, their needs and abilities would be assessed and the Group 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.

AUDITOR

Ernst & Young LLP was reappointed during the year and has indicated its willingness to continue in office.

By order of the board

S Laurent 9 July 2015
Director

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

Company law requires the directors to prepare Group financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the European Union. Under company law the directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss for that period. In preparing those Group financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the group financial statements of PhotoBox Holdco Limited for the year ended 30 April 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the group 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 group 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 group'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 group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group 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:

- 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.

Other matter

We have reported separately on the parent company financial statements of PhotoBox Holdco Limited for the year ended 30 April 2015.

Ernst & Young LLP

Nick Powell (Senior Statutory Auditor)
For and on behalf of ERNST & YOUNG LLP, Statutory Auditor
1 More London Place
London SE1 2AF

9 July 2015

PhotoBox Holdco Limited
CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2015

	Notes	Year ended 30 April 2015	Year ended 30 April 2014
		£'000	**£'000**
Revenue	*1*	215,263	175,311
Cost of sales		(103,574)	(83,699)
Gross profit		**111,689**	**91,612**
Technology and development costs		(14,422)	(11,729)
Marketing costs		(50,719)	(45,337)
Customer service costs		(7,213)	(6,250)
Administrative expenses		(15,504)	(12,664)
Operating profit before exceptional items, amortisation and share based payment expense		**23,831**	**15,632**
Exceptional losses	*4*	(7,443)	(2,045)
Amortisation	*9*	(10,401)	(8,891)
Share based payment expense	*19*	(954)	(681)
Operating profit	*3*	**5,033**	**4,015**
Finance income	*5*	147	446
Finance costs	*6*	(2,512)	(2,669)
Profit before taxation		**2,668**	**1,792**
Taxation	*8*	(1,544)	1,883
PROFIT FOR THE YEAR		**1,124**	**3,675**

All activities relate to continuing operations. All the profit / loss for the year is attributable to the equity holders of the parent. The accompanying notes are an integral part of the financial statements.

PhotoBox Holdco Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2015

	Year ended 30 April 2015	Year ended 30 April 2014
	£'000	**£'000**
PROFIT FOR THE YEAR	**1,124**	**3,675**
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Net loss on hedge of a net investment	(8)	-
Exchange differences on translation of foreign operations	(3,917)	(388)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	**(2,801)**	**3,287**

PhotoBox Holdco Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2015

	Notes	30 April 2015	30 April 2014
		£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	18,377	10,138
Intangible assets	*9*	157,527	110,957
Deferred tax assets	*8*	3,849	3,526
Investment in associate	*12*	29	-
Other non-current assets	*14*	967	735
		180,749	125,356
Current assets			
Inventories	*13*	5,366	3,027
Trade and other receivables	*14*	8,721	4,857
Current income tax receivable		-	119
Short term investments		-	5,072
Cash and cash equivalents		12,859	20,060
		26,946	33,135
TOTAL ASSETS		**207,695**	**158,491**
LIABILITIES			
Current liabilities			
Trade and other payables	*15*	29,357	22,951
Deferred revenue		6,209	5,657
Current income tax payable		2,352	-
Borrowings	*16*	7,204	7,100
Provisions for other liabilities and charges	*17*	1,209	635
		46,331	36,343
Non-current liabilities			
Deferred tax liabilities	*8*	18,204	10,480
Borrowings	*16*	53,464	21,812
Other payables	*15*	180	-
Provisions for other liabilities and charges	*17*	1,273	236
		73,121	32,528
TOTAL LIABILITIES		**119,452**	**68,871**
NET ASSETS		**88,243**	**89,620**
CAPITAL AND RESERVES			
Equity attributable to owners of the parent			
Ordinary share capital	*18*	25	25
Preferred share capital	*18*	75	75
Share premium		71,492	71,193
Merger reserve		42,938	42,938
Retained earnings		(17,953)	(20,202)
Foreign currency translation reserve		(8,334)	(4,409)
TOTAL EQUITY		**88,243**	**89,620**

The financial statements on pages 8 to 49 were approved by the board of directors and authorised for issue on 9 July 2015 and are signed on its behalf by:

S Laurent
Director

Company Registration No. 07648443

PhotoBox Holdco Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 April 2015

	Notes	**Ordinary share capital (Note 18)**	**Preferred share capital (Note 18)**	**Share Premium (Note 18)**	**Merger Reserve**	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 30 April 2013		**25**	**75**	**71,160**	**42,938**	**(24,921)**	**(4,021)**	**85,256**
Profit for the year		-	-	-	-	3,675	-	**3,675**
Other comprehensive loss		-	-	-	-	-	(388)	**(388)**
Total comprehensive income / (loss)		-	-	-	-	3,675	(388)	**3,287**
Deferred tax on share options		-	-	-	-	363	-	**363**
Exercise of share options		-	-	3	-	-	-	**3**
Issue of share capital arising from share based payment transactions		-	-	30	-	(30)	-	**-**
Share based payment transactions	*19*	-	-	-	-	711	-	**711**
At 30 April 2014		**25**	**75**	**71,193**	**42,938**	**(20,202)**	**(4,409)**	**89,620**
Profit for the year		-	-	-	-	1,124	-	**1,124**
Other comprehensive loss		-	-	-	-	-	(3,925)	**(3,925)**
Total comprehensive income / (loss)		-	-	-	-	1,124	(3,925)	**(2,801)**
Issue of share capital	*18*	-	-	100	-	-	-	**100**
Deferred tax on share options	*8*	-	-	-	-	171	-	**171**
Exercise of share options	*18*	-	-	199	-	-	-	**199**
Share based payment transactions	*19*	-	-	-	-	954	-	**954**
At 30 April 2015		**25**	**75**	**71,492**	**42,938**	**(17,953)**	**(8,334)**	**88,243**

PhotoBox Holdco Limited

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2015

	Notes	**Year ended 30 April 2015**	**Year ended 30 April 2014**
		£'000	**£'000**
OPERATING ACTIVITIES			
Cash generated from operations	*20*	27,149	23,215
Interest received		29	231
Income tax paid		(1,932)	(2,116)
Net cash generated from operating activities		**25,246**	**21,330**
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		182	59
Purchase of property, plant and equipment	*10*	(5,244)	(3,771)
Purchase of intangible assets	*9*	(4,052)	(2,829)
Proceeds from/(purchase of) short term deposits		5,072	(19)
Acquisition of business operations	*23*	-	(6,000)
Acquisition of subsidiary, net of cash acquired	*23*	(46,855)	-
Net cash flows used in investing activities		**(50,897)**	**(12,560)**
FINANCING ACTIVITIES			
Repayment of borrowings		(51,629)	(11,995)
Repayment of finance leases		(412)	(638)
Interest paid		(1,425)	(1,981)
Proceeds from issuance of ordinary share capital	*18*	100	-
Proceeds from the exercise of share options	*18,19*	982	40
Proceeds from borrowings		71,029	-
Transaction costs relating to the issue of debt		(1,354)	-
Net cash flows from/(used in) financing activities		**17,291**	**(14,574)**
Net decrease in cash and cash equivalents		**(8,360)**	**(5,804)**
Cash equivalents at beginning of year		20,060	26,180
Net foreign exchange difference		1,159	(316)
Cash and cash equivalents at end of year		**12,859**	**20,060**

1.1 CORPORATE INFORMATION

PhotoBox Holdco Limited ("the Company") and its subsidiaries (together, "the Group") engages in the production of personalised printed products using an internet platform. The Group principally trades through PhotoBox SAS (France), PhotoBox Limited (UK), Moonpig (UK), Hofmann S.L.U (Spain) and Posterjack (Germany). The principal activities of the Group are that of business-to-consumer personalised printing.

The financial statements include the financial statements of the Group, the subsidiaries and associated undertakings listed in the following table:

Name of Company	Country of incorporation	% equity interest 30 April 2015	% equity interest 30 April 2014
Subsidiaries:			
PhotoBox Holdco Gamma Limited	UK	100%	100%
PhotoBox Holdco Alpha Limited	UK	100%	100%
PhotoBox Holdco Beta Limited	UK	100%	100%
PhotoBox Limited	UK	100%	100%
Moonpig.com Limited	UK	100%	100%
PhotoBox SAS	France	100%	100%
Photoways Inc.	USA	100%	100%
PhotoBox GmbH	Germany	100%	100%
Online Photo Sverige AB	Sweden	100%	100%
Hofmann Marketing y Tecnologia, S.L.	Spain	100%	-
Hofmann S.L.U	Spain	100%	-
Marco 2, S.L.U	Spain	100%	-
Fotolibro, S.L.	Spain	100%	-
Posterjack, GmbH	Spain	100%	-
Posterjack, Schweiz GmbH	Switzerland	100%	-
Associates:			
Online Print Děcor Inc.	Canada	20%	-
Best Window Industrial Limited	China	20%	-
Tung Fong Ltda. Company Limited	China	20%	-
Beijing Boarding Arts & Crafts Manufacturing Co. Ltd	China	40%	-

The registered office is:

100 New Bridge Street
London
EC4V 6JA

1.2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and applied in accordance with the Companies Act 2006. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated.

The Company accounts for PhotoBox Holdco Limited are prepared in accordance with UK Generally Accepted Accounting Principles – see page 49 onwards for the parent company accounts.

Going concern

The Group 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. The Group has bank borrowings of £61,341,000 at the year end (2014: £29,027,000), which are subject to various financial covenants (see Note 16). Based on the financial position at the year end, the Group has adequate headroom on each covenant and therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

1.3 BASIS OF CONSOLIDATION

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control exists when the Company has the power to directly or indirectly manage the financial and operational policies of the subsidiary, so as to obtain advantages from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends eliminate in full.

In December 2014, the group acquired the share capital of Hofmann which has been fully consolidated as part of the Group.

1.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the Group

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group does not have derivatives designed as hedging instruments during the current or prior periods.

Recoverable amount disclosures for non-financial assets – Amendments to IAS 36
This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Group has applied these amendments, which resulted in additional disclosures for cash generating units for which an impairment loss was recorded in the period.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets and liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 15 Revenue from contracts with customers
IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

a) **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included as an exceptional item within operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by or to the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

b) **Investment in associate**

Associated entities are those over which the Group has significant influence but not control. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated income statement reflects the Group's share of the results of operations of the associate. Any change in statement of comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

c) **Foreign currency translation**

The Group's consolidated financial statements are presented in Sterling, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are converted into Sterling by applying the exchange rate in force on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies on the closing date are converted at the exchange rate in force on the closing date. The exchange differences that result from these operations are posted as income or expenses.

Non-monetary assets and liabilities expressed in foreign currencies are recorded and kept at the historic exchange rate in force on the date of the transaction. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in value of the item (i.e. translation differences on items whose gain or loss in value is recognised in the income statement will also be recognised in the income statement. Where the gain or loss is recognised in other comprehensive income, any translation difference on this amount will also be recognised in other comprehensive income).

ii) Financial statements expressed in currency

The Group's consolidated accounts are presented in Sterling.

The results and financial position of all the group entities that have a functional currency different from the Sterling presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

d) **Revenue**

Revenue is recognised when it is probable that the future economic benefits will flow to the Group, and this income may be evaluated in a reliable fashion. No revenue is posted to the accounts when there is significant uncertainty as to the possibility of recovering the consideration due. Where the Group acquires customers through a third party, the Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Where the Group holds the primary risks and rewards, the Group is deemed to be acting as the principal. Revenue from the sale of goods, as well as the related shipping and handling expenses billed to customers, are recognised upon shipment. Revenue is shown net of local sales tax.

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.

The trading companies in the Group offer prepaid accounts and/or 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, together with the balance on pre-paid accounts where there has been no activity for 2 years, is posted to income after expiration.

e) **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.

f) **Borrowing costs**

Borrowing costs are expensed in the period they occur. These costs consist of interest and other costs that the entity incurs in connection with the borrowing of funds.

g) **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 Group 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 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.

h) **Intangible fixed assets**

i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

ii) Separately acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure in incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

iii) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group 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 development is complete and the asset is available for use. During the period of development, the asset is tested for impairment annually. Management has used judgement in determining the amortisation period as documented below.

	Useful lives	*Amortisation method*	*Internally generated or acquired*
Goodwill	Indefinite	Not applicable	Acquired
Trademark	Indefinite	Not applicable	Acquired
Trademark	Finite	Straight-line basis – 5 to 20 years	Acquired
Development costs	Finite	Straight-line basis - 3 years	Internally generated
Patents and licenses	Finite	Straight-line basis - 3 to 10 years	Acquired
Technology	Finite	Straight-line basis - 1 to 5 years	Acquired
Customer relationships	Finite	Straight-line basis - 6 to 10 years	Acquired
Other intangibles	Finite	Straight-line basis - 2 to 4 years	Acquired

The trademark acquired on the acquisition of PhotoBox Limited has an indefinite useful life as there is no intention to cease use of the trademark.

i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

j) **Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. They are not subject to revaluation. 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:-

Freehold property	-	3% - 4% on cost
Leasehold improvements	-	over the unexpired term of the lease
Plant and machinery	-	10% - 25% on cost
Fixtures, fittings and equipment	-	10% - 33% on cost
Computer equipment	-	25% - 33% on cost

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

k) **Leases**

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. A leased asset is depreciated over the useful life of the asset.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

l) **Inventories**

Stocks are stated at the lower of cost and net realisable value. Cost includes all expenditure 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.

m) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. Any deposits with a maturity of more than 3 months but less than 1 year are classified as short-term investments.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

n) **Financial instruments**

Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Groups 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:

Financial assets at fair value through profit of loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

The Group evaluates its financial assets at fair value through profit and loss (held for trading) and whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation. The Group did not reclassify any financial assets in the current reporting period.

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 financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group 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.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings
Obligations for loans and borrowings 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 and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated 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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11.

o) Hedge accounting

At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and assessment of the effectiveness of the hedge. Such hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Net investment hedge

The Group has foreign currency borrowings that it uses to hedge its exposure to foreign exchange risk on investments in foreign operations. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in OCI in the consolidated financial statements and reclassified to the profit or loss as part of the gain or loss on disposal of the foreign operation. Any gains or losses relating to the ineffective portion are recognised in the consolidated income statement.

p) Provisions

Provisions are recognised when the Group 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.

q) **Share based payments**

Share options may be granted to the Group's employees, giving the right to subscribe for shares in PhotoBox Holdco Limited at a fixed exercise price. 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 the Black-Scholes method. 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 income statement, 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 the 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.

r) **Pensions and other post employment benefits**

The Group contributes to defined contribution pensions schemes. Under these schemes, the Group pays defined contributions to an external pension fund or insurance company in return for services performed by employees. The amount charged to the profit and loss account in respect of pension costs and other post employment benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated 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 consolidated financial statements:

Judgements, estimates and assumptions:

a) Carrying value of goodwill

An impairment exists when the carrying value of a cash generating unit ("CGU") exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are based on one year budget together with a forecast for the following year and then projected forwards. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 9.

b) Carrying value of intangible assets both in business combinations and asset acquisitions
The Group holds a number of intangible assets that were acquired either through business combinations or direct asset acquisition. At each balance sheet date, management considers whether there are any indicators of impairment on each asset. Where this is the case, impairment reviews are conducted using value in use calculations. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

c) Recognition of intangible assets arising from business combinations
The Group has acquired a number of intangible assets following the acquisition of the Hofmann Marketing y Tecnologia S.L Group, Sticky9 (formally StickyGram.com) and Moonpig.com Limited. The key assumptions are around the revenue forecasts at the time of acquisition, and the discount rate used to calculate the value of individual assets. The estimated useful life assigned to each asset is also subject to management estimate. Refer to Notes 9 and 23.

d) 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.

e) 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 19.

2 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are:

- to maximise the return to shareholders; and
- to safeguard the Group's ability to continue as a going concern.

For the purposes of the Group's capital management, the Group's capital structure includes; borrowings (see Note 16), cash and cash equivalents, issued capital, preference shares, share premium and all other equity reserves. Externally imposed capital requirements of the Group include various financial covenants on the Group's borrowings.

In order to achieve the Group's primary capital management objectives, the Group's capital management policies aim to ensure the Group meets the financial covenants attached to the interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current and previous periods.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants.

	At 30 April 2015	At 30 April 2014
	£'000	£'000
Interest bearing loans and borrowings	60,668	28,912
Less: Cash and cash equivalents	(12,859)	(20,060)
Less: Short term investments	-	(5,072)
Net debt	**47,809**	**3,780**
Equity	88,243	89,620
Total capital	88,243	89,620
Capital and net debt	**136,052**	**93,400**

3 OPERATING PROFIT

	Year ended 30 April 2015	Year ended 30 April 2014
	£'000	£'000
Nature of expenses charged/(credited) to operating profit:		
Depreciation and amounts written off property, plant and equipment:		
- owned assets	3,987	3,240
- leased assets	339	590
Amortisation and impairment of intangible fixed assets	14,343	9,082
Operating lease payments	2,011	2,685
Auditor's remuneration:		
- audit fees	287	150
- taxation services	68	128
- corporate finance services	250	1,193
- other services	29	17
Share based payment expense	954	681
Foreign exchange (gain)/loss	(26)	3
Loss on disposal of property, plant and equipment and intangible assets	299	7

4 EXCEPTIONAL LOSSES

	Notes	Year ended 30 April 2015	Year ended 30 April 2014
		£'000	£'000
Exceptional losses:			
Impairment of intangible assets – Sticky9	9	(3,942)	(191)
Provisions		(500)	-
Corporate finance advisory costs		(528)	(1,854)
Retail contract restructuring		(1,263)	-
Acquisition costs		(986)	-
Restructuring		(224)	-
Total exceptional losses		(7,443)	(2,045)

Exceptional losses comprise:

- Impairment charges – refer to Note 9 for additional information
- Provisions – provision for estimated liability relating to Information Commissioner's Office investigation
- Corporate finance advisory costs – for corporate transactions
- Retail contract restructuring – provision for restructuring of contractual terms in relation to Hofmann
- Acquisition costs – costs arising on the acquisition of Hofmann
- Restructuring – costs incurred for restructuring following the acquisition of Hofmann.

5 FINANCE INCOME

	Year ended 30 April 2015	Year ended 30 April 2014
	£'000	£'000
Bank interest	63	231
Unrealised gain on interest rate swap	84	215
	147	446

6 FINANCE COSTS

	Year ended 30 April 2015	Year ended 30 April 2014
	£'000	£'000
Interest payable on finance leases	17	24
Bank interest payable	2,433	2,455
Amounts due in respect of interest rate swap	62	190
	2,512	2,669

7 STAFF COSTS

	Year ended 30 April 2015	Year ended 30 April 2014
	£'000	£'000
Wages and salaries	31,166	26,563
Social security costs	6,271	5,944
Pension costs	1,080	922
Employee share schemes	954	681
	39,471	34,110

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

	Year ended 30 April 2015	Year ended 30 April 2014
	Number	Number
Management and administration	531	431
Production	434	337
	965	768

7 STAFF COSTS (continued)

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	639	478
Pension costs	8	8
Health care costs	1	6
	648	492
The number of directors to whom retirement benefits are accruing under money purchase pension schemes was:	1	1
The number of directors who exercised share options was:	1	-

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
The amounts in respect of the highest paid director are as follows:		
Aggregate emoluments	440	420
Pension costs	8	8
Health care costs	1	3
	449	431

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

8 TAXATION

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
(a) Tax on profit on ordinary activities		
The tax charge / (credit) is made up as follows:		
Current tax:		
UK corporation tax on profit for the year	1,842	1,943
Foreign tax charge	2,099	281
Adjustment in respect of prior years	(20)	(45)
Total current tax	3,921	2,179
Deferred tax:		
Origination and reversal of temporary differences	(1,750)	(2,690)
Impact of changes in tax rates	172	(1,372)
Impact of foreign exchange	(799)	-
Total deferred tax	(2,377)	(4,062)
Total tax charge / (credit) for year	1,544	(1,883)

8 TAXATION (continued)

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
(b) The tax assessed for the year differs from the standard UK rate of corporation tax applicable of 20.9% (2014: 22.8%). The differences are explained below:		
Profit on ordinary activities before tax	2,668	1,792
Profit on ordinary activities multiplied by the UK tax rate	558	409
Effects of:		
Permanent differences	586	335
Movement in unrecognised deferred tax	(99)	(143)
Impact of tax rate changes on deferred tax	172	(1,372)
Overseas tax rates	413	274
Adjustments in respect of prior years	(20)	(45)
Deferred tax on share options	(66)	(1,341)
Total tax charge / (credit) for year	1,544	(1,883)

(c) Deferred tax asset		30 April 2015 £'000	30 April 2014 £'000
Deferred tax asset at start of period		3,526	2,343
Deferred tax asset acquired	*23*	234	-
Deferred tax income for the period recognised in the income statement		31	1,035
Deferred tax income for the year recognised in equity		171	363
Change in tax rates		(73)	(215)
Impact of foreign exchange		(40)	-
Deferred tax asset at end of period		3,849	3,526

(d) Deferred tax liability		30 April 2015 £'000	30 April 2014 £'000
Deferred tax liability at start of period		(10,480)	(13,722)
Deferred tax liability acquired	*23*	(10,209)	-
Deferred tax income for the period recognised in the income statement		1,719	1,655
Change in tax rates		(99)	1,587
Impact of foreign exchange		865	-
Deferred tax liability at end of period		(18,204)	(10,480)

8 TAXATION (continued)

e) The deferred tax asset above is represented by:	**30 April 2015 £'000**	**30 April 2014 £'000**
Decelerated capital allowances	429	213
Deferred tax on share options	1,499	1,736
Deferred tax on temporary differences arising on PhotoBox SAS losses	1,472	1,577
Other temporary differences	449	-
	3,849	3,526

f) The deferred tax liability above is represented by:	**30 April 2015 £'000**	**30 April 2014 £'000**
Accelerated capital allowances	(114)	-
Deferred tax on temporary differences arising on intangible assets	(17,288)	(10,480)
Other temporary differences	(802)	-
	(18,204)	(10,480)

The total amount of tax losses that can be carried forward indefinitely totals £7,232,000 (2014: £7,964,000) which are partially recognised due to the inherent uncertainty of when the deferred tax asset will crystallise. The Group recognised a deferred tax asset of £3,849,000 (2014: £3,526,000) and a deferred tax liability of £18,204,000 (2014: £10,480,000) (including a £234,000 (2014: £nil) asset acquired and a £10,209,000 (2014: £nil) liability acquired as part of the Hofmann acquisition). The amount of deferred tax assets not recognised is £963,000 at 30 April 2015 (2014: £1,062,000).

FACTORS AFFECTING CURRENT AND FUTURE TAX CHARGES

At 30 April 2015, no future changes have been announced regarding the UK tax rate.

During the period, a reduction in the Spanish corporation tax to 25% was substantively enacted; subsequently the relevant deferred tax balances have been re-measured.

9 INTANGIBLE ASSETS

	Goodwill	Trademark	Technology and capitalised development costs	Customer database	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
30 April 2013	82,968	40,424	7,393	38,532	4,327	173,644
Additions	-	-	2,374	-	455	2,829
Acquisitions	3,771	205	480	260	1,321	6,037
Disposals	-	-	(67)	-	(114)	(181)
Foreign exchange	(247)	(213)	(5)	(51)	(45)	(561)
30 April 2014	**86,492**	**40,416**	**10,175**	**38,741**	**5,944**	**181,768**
Additions	-	-	3,755	-	297	4,052
Acquisitions	25,672	14,228	3,451	21,592	69	65,012
Disposals	-	-	(191)	-	(1)	(192)
Foreign exchange	(3,321)	(2,188)	(321)	(2,093)	(227)	(8,150)
30 April 2015	**108,843**	**52,456**	**16,869**	**58,240**	**6,082**	**242,490**
Amortisation and impairment						
30 April 2013	32,633	10,756	4,552	11,032	3,266	62,239
Charge for year	-	1,345	1,473	4,434	1,639	8,891
Impairment	-	191	-	-	-	191
Disposal	-	-	(49)	-	(114)	(163)
Foreign exchange	(43)	(213)	(2)	(51)	(38)	(347)
30 April 2014	**32,590**	**12,079**	**5,974**	**15,415**	**4,753**	**70,811**
Acquisitions	-	-	1,523	-	17	1,540
Charge for year	-	1,611	2,534	5,262	994	10,401
Impairment	3,771	-	58	53	60	3,942
Disposal	-	-	(24)	-	(1)	(25)
Foreign exchange	(191)	(958)	(142)	(222)	(193)	(1,706)
30 April 2015	**36,170**	**12,732**	**9,923**	**20,508**	**5,630**	**84,963**
Net book value						
30 April 2015	**72,673**	**39,724**	**6,946**	**37,732**	**452**	**157,527**
30 April 2014	**53,902**	**28,337**	**4,201**	**23,326**	**1,191**	**110,957**

Other intangible assets include non-compete agreements, and information content for products and software.

9 INTANGIBLE ASSETS (continued)

Impairment test
Goodwill and intangible assets acquired through business combinations have been allocated to five CGUs, for impairment testing as follows:

- PhotoBox Core CGU
- Moonpig CGU
- Sticky9 CGU
- Hofmann CGU
- Posterjack CGU

Carrying amount of goodwill and intangibles allocated to each of the CGUs:

	Indefinite useful lives		Finite useful lives				
	Goodwill	Trademark	Trademark	Technology and capitalised development costs	Customer database	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PhotoBox Core CGU	15,114	5,369	-	2,210	-	325	23,018
Moonpig CGU	35,017	-	22,968	1,623	23,098	150	82,856
Sticky9 CGU	3,771	-	-	368	228	716	5,083
30 April 2014	**53,902**	**5,369**	**22,968**	**4,201**	**23,326**	**1,191**	**110,957**
PhotoBox Core CGU	14,198	5,369	-	3,393	-	366	23,326
Moonpig CGU	35,017	-	21,636	1,541	18,698	-	76,892
Sticky9 CGU	-	-	-	397	138	40	575
Hofmann CGU	23,327	-	12,559	1,597	18,233	46	55,762
Posterjack CGU	131	-	160	18	663	-	972
30 April 2015	**72,673**	**5,369**	**34,355**	**6,946**	**37,732**	**452**	**157,527**

The Group performed its annual impairment test at 31 January 2015 (2014: 31 January 2014) over the PhotoBox Core, Moonpig, Sticky9, Hofmann and Posterjack CGUs.

PhotoBox Core CGU:
The recoverable amount of the PhotoBox Core CGU has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. The budget has been prepared to 30 April 2016, together with a forecast for the year to 30 April 2017 and then projected for a further 5 years. The discounted cash flow model is prepared after making assumptions around growth rate of turnover, operating margin rate, growth rate of other operating charges, variation in working capital requirements and the level of investment. These assumptions are based on past experience of growth rates in both existing and new territories.

The discount rate used is 11.6% (2014: 14.8%) and the perpetual net income growth rate assumed is 3% (2014: 3%). The impairment review shows significant headroom and therefore significant changes in these assumptions would be needed before any impairment would be required. In particular, the discount rate would need to increase to more than 52% (2014: 31%) before any impairment would be required or projected revenue growth would need to fall to less than -4% (2014: 0%) which would be a significant fall from projected revenues. The directors believe there are no such changes in assumptions expected which could lead to impairment.

Moonpig CGU:
At 31 January 2015, the Group has performed its annual impairment review. The recoverable amount of the Moonpig CGU has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. The budget has been prepared to 30 April 2016, together with a forecast for the year to 30 April 2017 and then projected for a further 5 years. The discounted cash flow model is prepared after making assumptions around growth rate of turnover, operating margin rate, growth rate of other operating charges, variation in working capital requirements and the level of investment. These assumptions are based on past experience of growth rates in both existing and new territories.

The discount rate used is 13.7% (2014: 16.7%) and the perpetual growth rate assumed is 2% (2014: 2%). Growth rates up to the perpetual rate are consistent with historical trends over revenues, volumes and operating expenses.

The impairment review shows significant headroom and therefore significant changes in these assumptions would be needed before any impairment would be required. In particular, the discount rate would need to increase to more than 23% (2014: 19%) before any impairment would be required or projected revenue growth would need to fall to less than 2% (2014: 5%), which would be a significant fall from projected revenues. The directors believe there are no such changes in assumptions expected which could lead to impairment.

Sticky9 CGU:
At 31 January 2015, the Group has performed its annual impairment review. In 2014 subsequent to the acquisition of StickyGram, Instagram announced changes in their position asking that, for those brands using the Instagram API, the "insta" or "gram" terminology is no longer used in its name. This was an indicator of impairment at 31 January 2014 and resulted in an impairment of the tradename of £191,000 in year ended 30 April 2014.

The recoverable amount of the Sticky9 CGU has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management. The budget has been prepared to 30 April 2016, together with a forecast for the year to 30 April 2017 and then projected for a further 5 years. The discounted cash flow model is prepared after making assumptions around growth rate of turnover, operating margin rate, growth rate of other operating charges, variation in working capital requirements and the level of investment. These assumptions are based on past experience of growth rates in existing brands and CGUs.

The discount rate used is 18% (2014: 22.2%) and the perpetual growth rate assumed is 2% (2014: 2%). Growth rates up to the perpetual rate are consistent with historical trends over revenues, volumes and operating expenses.

The impairment review identified an impairment of £3,942,000 in respect of Sticky9. The recoverable value of the Sticky9 CGU at 31 January 2015 was £(431,000). Despite significant growth in revenues, profitability has been lower than anticipated and therefore goodwill of £3,771,000 has been fully written down. A further £171,000 impairment has been allocated on a pro-rata basis across the other assets arising on acquisition as follows: 1) impairment of £58,000 has been taken against the technology platform; 2) £53,000 against the customer database; and 3) £60,000 against other intangibles (which comprise the non-compete agreement).

Hofmann CGU:

At 31 January 2015, the Group performed its annual impairment review over the assets acquired on 1 December 2014 allocated to the Hofmann CGU. The recoverable amount of the Hofmann CGU has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. The budget has been prepared to 30 April 2016, together with a forecast for the year to 30 April 2017 and then projected for a further 2 years. The discounted cash flow model is prepared after making assumptions around growth rate of turnover, operating margin rate, growth rate of other operating charges, variation in working capital requirements and the level of investment. These assumptions are based on past experience of growth rates in both existing and new territories.

The discount rate used is 11% and the perpetual net income growth rate assumed is 2%. The impairment review shows significant headroom and therefore significant changes in these assumptions would be needed before any impairment would be required. In particular, the discount rate would need to increase to more than 15% before any impairment would be required or projected revenue growth would need to fall to less than -7% which would be a significant fall from projected revenues. The directors believe there are no such changes in assumptions expected which could lead to impairment.

Posterjack CGU:

At 31 January 2015, the Group performed its annual impairment review over the assets acquired on 1 December 2014 allocated to the Posterjack CGU. The recoverable amount of the Posterjack CGU has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. The budget has been prepared to 30 April 2016, together with a forecast for the year to 30 April 2017 and then projected for a further 2 years. The discounted cash flow model is prepared after making assumptions around growth rate of turnover, operating margin rate, growth rate of other operating charges, variation in working capital requirements and the level of investment. These assumptions are based on past experience of growth rates in both existing and new territories.

The discount rate used is 10% and the perpetual net income growth rate assumed is 2%. The impairment review shows significant headroom and therefore significant changes in these assumptions would be needed before any impairment would be required. In particular, the discount rate would need to increase to more than 30% before any impairment would be required or projected revenue growth would need to fall to negative growth. The directors believe there are no such changes in assumptions expected which could lead to impairment.

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold property	Plant and machinery	Fixtures and fittings	Leasehold improvements	Computer equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
30 April 2013	3,983	12,177	1,239	3,500	8,130	143	29,172
Additions	3	1,467	152	585	885	679	3,771
Disposals	-	(317)	(165)	(187)	-	-	(669)
Transfers	-	83	218	-	446	(747)	-
Foreign exchange	-	(192)	(25)	(40)	(150)	(2)	(409)
30 April 2014	**3,986**	**13,218**	**1,419**	**3,858**	**9,311**	**73**	**31,865**
Additions	-	1,749	917	1,012	1,509	57	5,244
Acquisitions	5,796	13,974	118	-	856	-	20,744
Disposals	-	(672)	(22)	(94)	(10)	-	(798)
Transfers	-	-	-	-	-	-	-
Foreign exchange	(500)	(2,097)	(156)	(175)	(814)	(13)	(3,755)
30 April 2015	**9,282**	**26,172**	**2,276**	**4,601**	**10,852**	**117**	**53,300**
Depreciation and impairment							
30 April 2013	632	8,613	868	2,291	6,423	-	18,827
Charge for year	190	1,498	277	763	1,102	-	3,830
Disposals	-	(274)	(160)	(187)	-	-	(621)
Transfers	-	-	-	-	-	-	-
Foreign exchange	-	(143)	(16)	(35)	(115)	-	(309)
30 April 2014	**822**	**9,694**	**969**	**2,832**	**7,410**	**-**	**21,727**
Acquisitions	801	10,453	72	-	582	-	11,908
Charge for year	211	1,885	245	740	1,245	-	4,326
Disposals	-	(365)	(15)	(94)	(10)	-	(484)
Transfers	-	-	-	-	-	-	-
Foreign exchange	(70)	(1,588)	(86)	(168)	(642)	-	(2,554)
30 April 2015	**1,764**	**20,079**	**1,185**	**3,310**	**8,585**	**-**	**34,923**
Net book value							
30 April 2015	**7,518**	**6,093**	**1,091**	**1,291**	**2,267**	**117**	**18,377**
30 April 2014	**3,164**	**3,524**	**450**	**1,026**	**1,901**	**73**	**10,138**

The net book value of plant and machinery includes £83,000 (2014: £501,000) in respect of assets held under finance leases or hire purchase contracts.

11 FINANCIAL ASSETS AND LIABILITIES

	30 April 2015 £'000	30 April 2014 £'000
Financial liabilities at fair value through profit or loss		
Interest rate swap	-	84
Current	-	84
Non-current	-	-

Interest rate swap: In July 2011, the Group entered into an interest rate swap on the bank loan. During the year the interest rate swap matured and the bank loan to which the swap applied was settled. At the balance sheet date the fair value of this interest rate swap was £nil (2014: £84,000) with the movement in the year taken to the income statement. The value of bank debt which the swap applied to was £nil (2014: £19,352,000).

Fair values

	Carrying Amount		Fair Values	
	30 April 2015 £'000	30 April 2014 £'000	30 April 2015 £'000	30 April 2014 £'000
Financial assets				
Loans and receivables:				
Trade and other receivables	8,721	4,857	8,721	4,857
Short term investments	-	5,072	-	5,072
Cash	12,859	20,060	12,859	20,060
	21,580	29,989	21,580	29,989
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	29,357	22,867	29,357	22,867
Interest-bearing loans and borrowings:				
Obligations under finance leases	83	495	83	495
Floating rate borrowings	60,585	28,417	60,362	30,141
	90,025	51,779	89,802	53,503
Financial liabilities at fair value through profit or loss:				
Interest rate swap	-	84	-	84
	90,025	51,863	89,802	53,587

The fair value of floating rate borrowings has been calculated by discounting the expected future cash flows at prevailing market interest rates.

11 FINANCIAL ASSETS AND LIABILITIES (continued)

Financial risk management objectives and policies

Market risk

- **Interest rate risk**

Interest rate risk is the risk that the Group is impacted from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term borrowings. The Group considers whether it needs to manage its exposure to interest rate risk on an ongoing basis.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term borrowings and revolving cash facility. A movement in the forecast LIBOR rate of +/- 0.25% would lead to an increase / decrease of the total interest cost as shown below:

	Impact on profit or loss before tax	
	2015	**2014**
	£'000	**£'000**
+ 0.25% increase in interest rates	90	29
- 0.25% reduction in interest rates	(75)	(29)

- **Foreign currency risk**

The Group is exposed to foreign currency risk arising from movements in foreign exchange. The Group's exposure to the risk of changes in foreign currencies relates primarily to the Group's operating activities. The Group transacts mainly in Sterling and Euros. The directors consider that the Group has a partial natural hedge in place as regards the Euro (where receipts and payments are broadly matched). All other material cashflows are in Sterling.

The Group's sensitivity to foreign currency risk has been analysed below by calculating the impact on the group's profit by a 10% strengthening or weakening of the Euro.

	Impact on profit or loss before tax	
	2015	**2014**
	£'000	**£'000**
+ 10% strengthening of Euro	362	174
- 10% weakening of Euro	(362)	(60)

Credit risk

Credit risk is the risk that a customer or counterparty will not meet its contractual obligations resulting in a financial loss for the Group. The Group considers its credit risk to be very low as virtually all Group revenues are derived from credit card transactions over the internet, reaching the Group bank accounts in 3 to 4 days.

At 30 April 2015, the Group had trade receivables of £1,579,000 (2014: £374,000). Trade receivables are reviewed regularly for any risk of impairment and provisions are booked where necessary.

At 30 April 2015, the Group had no customers (2014: none) that owed the group more than £250,000.

11 FINANCIAL ASSETS AND LIABILITIES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet its obligations as they fall due. The Group manages this risk through regular monitoring of short-term and long-term cash flows to identify liquidity requirements. Liquidity and forecast headroom over the Group's borrowings covenants for the coming 12 months are reviewed by the Group Chief Financial Officer.

The Group has access to a revolving credit facility of £50,000,000, of which at 30 April 2015 £36,027,000 was drawn, in addition to its existing term borrowings to meet any shortfall (see Note 16).

The table below summarises the maturity profile of the Group's financial liabilities.

Year ended 30 April 2015	**Less than 1 year**	**1 to 5 years**	**Total**
	£'000	**£'000**	**£'000**
Floating rate borrowings	8,659	57,868	66,527
Finance leases	83	-	83
Trade and other payables	29,357	180	29,537
	38,099	58,048	96,147

The Group has no financial liabilities due over 5 years.

Hedging activities

Hedge of net investments in foreign operations

Included in borrowings at 30 April 2015 was a loan of €34,834,000 which has been designated as a hedge of the net investment in the subsidiary in Spain, Hofmann Marketing y Tecnologia S.L. This borrowing is being used to hedge the Group's exposure to the Euro foreign exchange risk on this investment. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the subsidiary. There is no ineffectiveness in the year ended 30 April 2015.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities at fair value through profit or loss:				
Interest rate swaps				
At 30 April 2015	-	-	-	-
At 30 April 2014	-	84	-	84
Financial liabilities for which fair values are disclosed:				
Floating rate borrowings				
At 30 April 2015	-	60,362	-	60,362
At 30 April 2014	-	30,141	-	30,141

12 INVESTMENT IN AN ASSOCIATE

On 1 December 2014, as part of the Hofmann acquisition, the Group acquired an interest in a number of associates based in China and Canada. The following is summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements:

	30 April 2015 £'000
Group's carrying amount of the investment	29

13 INVENTORY

	30 April 2015 £'000	30 April 2014 £'000
Raw materials and consumables	4,440	3,083
Finished goods	1,088	-
Total inventory	5,528	3,083
Less: Provision for write off of:		
- raw materials and consumables	(98)	(56)
- finished goods	(64)	-
Net Inventory	5,366	3,027

The cost of inventories recognised as an expense and included in cost of sales during the year amounted to £35,042,000 (2014: £27,808,000).

14 TRADE AND OTHER RECEIVABLES

	At 30 April 2015 £'000	At 30 April 2014 £'000
Due within one year:		
Trade receivables	1,579	374
Less: provision for impairment of trade receivables	(311)	(75)
Trade receivables - net	1,268	299
Other receivables	4,395	1,794
Prepayments	3,058	2,764
	8,721	4,857
Due after more than one year:		
Other receivables	967	735

14 TRADE AND OTHER RECEIVABLES (continued)

Provision for impairment of trade receivables

	Collectively impaired £'000	Total £'000
At 30 April 2013	97	97
Charge for the year	25	25
Utilised	-	-
Unused amounts reversed	(47)	(47)
At 30 April 2014	75	75
Acquired	255	255
Charge for the year	18	18
Utilised	-	-
Released	(7)	(7)
Foreign exchange	(30)	(30)
At 30 April 2015	311	311

15 TRADE AND OTHER PAYABLES

	At 30 April 2015 £'000	At 30 April 2014 £'000
Trade payables	10,851	6,091
Other payables	1,710	822
Other taxation and social security	3,775	2,915
Accruals	13,021	13,123
	29,357	22,951
Due after more than one year:		
Other payables	180	-

16 BORROWINGS

	At 30 April 2015 £'000	At 30 April 2014 £'000
Current		
Obligations under finance leases – current	83	375
Bank loan	7,121	6,725
	7,204	7,100
Non-current		
Obligations under finance leases – non-current	-	120
Bank loan	53,464	21,692
	53,464	21,812
Total borrowings	60,668	28,912

16 BORROWINGS (continued)

During the year, the Group renegotiated its funding and entered into two new banking facilities:

a) A revolving credit facility which enables the Group to drawn down funds up to £50,000,000 in GBP or EUR up to May 2018.
b) A term loan of €38,000,000 repayable in instalments up to 13 October 2018.

Included within the 2015 bank loans is an amount of £36,027,000 (2014: £nil) (gross of costs relating to the raising of debt) relating to the revolving credit facility which was due for renewal on 29 May 2015 and has been subsequently re-drawn down. This facility remains available until May 2018. This carries interest of LIBOR plus a maximum of 3.35% margin (varying according to the level of gross leverage). Costs accrued amortising over the life of the loan are £630,000 at year end.

Additionally included within bank loans is an amount of £25,314,000 relating to the term loan. This carries interest of LIBOR plus a maximum of 3.85% margin (varying according to the level of gross leverage). Costs accrued amortising over the life of the loan are £479,000 and interest accrued at the year end is £161,000.

The remaining value included within bank loans is third party debt of £192,000 held within Hofmann.

The term loan and RCF are secured on the assets of group.

All covenants have been met during the year and, based on forecasts, management does not anticipate any covenant breaches.

The loan which was in place at 30 April 2014 was replaced by the new £50,000,000 Revolving Cash Facility. The outstanding balance at the date of renegotiating was transferred into this facility. At 30 April 2014, the Group had an outstanding bank loan of £8,201,000 (gross of costs relating to the raising of the debt) and carried interest of LIBOR plus a maximum of 4% (varying according to the level of gross leverage). The balance of £20,826,000 (gross of costs relating to the raising of the debt) carried interest of LIBOR plus 4.25%, and was repayable in a single instalment in July 2016. The remainder of the balance comprised the net of interest accrued and costs amortising over the life of the loan at the year end of £610,000. The loan was secured on the owned assets of the group and was subject to various covenants. The loan was repaid in the year ended 30 April 2015.

Obligations under finance leases disclosed above are secured on the related assets.

17 PROVISIONS

	Warranty provision	Other provisions	Total
At 30 April 2013	228	372	600
Additions to provisions	383	329	712
Use of provision in the year	(226)	(188)	(414)
Release of provision in the year	-	(15)	(15)
Foreign exchange	(6)	(6)	(12)
At 30 April 2014	379	492	871
Additions to provisions	246	2,020	2,266
Use of provision in the year	(217)	(45)	(262)
Release of provision in the year	(47)	(289)	(336)
Foreign exchange	(27)	(30)	(57)
At 30 April 2015	334	2,148	2,482

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.

17 PROVISIONS (continued)

Other provisions relate to various litigation matters, dilapidation provisions and product credits. The timing of settlement for litigation matters and dilapidations is unknown but not anticipated in the next financial year.

18 SHARE CAPITAL AND RESERVES

	At 30 April 2015	At 30 April 2014
	£'000	£'000
Allotted, issued and fully paid:		
25,379,666 ordinary shares of 0.1p each*	25	25
31,350,187 "A" Convertible preference shares of 0.1p each	31	31
7,077,781 "B" Convertible preference shares of 0.1p each	7	7
36,758,342 "C" Convertible preference shares of 0.1p each	37	37
	100	100

*including 4,334 Non-Voting Ordinary Shares

The issued share capital of the Company is divided into the following classes of shares: (i) Ordinary Shares; (ii) Non-Voting Ordinary shares; (iii) Class A Convertible preference Shares; (iv) Class B Convertible preference Shares; and (v) Class C Convertible preference Shares.

Each holder of outstanding Class A Convertible preference shares, Class B Convertible preference shares and Class C Convertible preference shares are entitled to cast such number of votes as is equal to the number of Ordinary Shares into which the Class A Convertible preference shares, Class B Convertible preference shares and/or Class C Convertible preference shares held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter.

Subject to applicable laws and the Articles of association, holders of Class A Convertible preference shares, Class B Convertible preference shares and Class C Convertible preference shares shall vote together with the holders of Ordinary Shares as a single class.

Class A Convertible preference shares
Class A Convertible preference shares carry a dividend US$0.09229 per annum plus all dividend previously accrued on the shares of Series A Preferred Stock pursuant to the Photoways Inc articles of association. Accrued dividends are payable when and as declared by the Board or the Company, or upon liquidation, dissolution or winding up of the Company. Class A Convertible preference shares are convertible into Ordinary shares at the option of the holder.

Class B Convertible preference shares
Class B Convertible preference shares carry a dividend US$0.15256 per annum plus all dividend previously accrued on the shares of Series B Preferred Stock pursuant to the Photoways Inc articles of association. Accrued dividends are payable when and as declared by the Board or the Company, or upon liquidation, dissolution or winding up of the Company. Class B Convertible preference shares rank in preference to the holders of any other class or series of shares (other than the holders of Class C Convertible preference shares) and on a pari passu basis with the holders of Class C Convertible preference shares. Class B Convertible preference shares are convertible into Ordinary shares at the option of the holder.

18 SHARE CAPITAL AND RESERVES (continued)

Class C Convertible preference shares
Class C Convertible preference shares carry a dividend of 8.0% per annum plus all dividend previously accrued on the shares of Series C Preferred Stock pursuant to the Photoways Inc articles of association. Accrued dividends are payable when and as declared by the Board or the Company, or upon liquidation, dissolution or winding up of the Company. Class C Convertible preference shares rank in preference to the holders of any other class or series of shares (other than the holders of Class B Convertible preference shares) and on a pari passu basis with the holders of Class B Convertible preference shares. Class C Convertible preference shares are convertible into Ordinary shares at the option of the holder.

Year ended 30 April 2015:
As at 30 April 2015 the following shares were in issue:

Ordinary shares	25,379,666
Class A Convertible preference shares	31,350,187
Class B Convertible preference shares	7,077,781
Class C Convertible preference shares	36,758,342

In the year ended 30 April 2015 the following issues were made:

Ordinary shares:

During the year, 271,485 £0.001 ordinary shares were issued in exchange for the exercise of share options. Cash consideration of £199,000 was received.

During the year, 71,942 £0.001 ordinary shares were purchased. Cash consideration of £100,000 was received.

Year ended 30 April 2014:

As at 30 April 2014 the following shares were in issue:

Ordinary shares	25,036,239
Class A Convertible preference shares	31,350,187
Class B Convertible preference shares	7,077,781
Class C Convertible preference shares	36,758,342

In the year ended 30 April 2014 the following issues were made:

Ordinary shares:

On 20 January 2014, 34,200 £0.001 ordinary shares were issued in exchange for the provision of non-executive director services. Cash consideration was £nil.

During the year ended 30 April 2014, 4,125 £0.001 ordinary shares were issued in exchange for the exercise of share options. Cash consideration of £3,000 was received.

19 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 since 22 July 2011 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 since 22 July 2011), 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 entered into either a swap agreement or a put and call agreement whereby the options remain under the rules of Photoways Inc plan. Where a swap agreement is in place, the only modification to this scheme is that upon exercise, the holder receives an ordinary share in PhotoBox Holdco Limited rather than a share of common stock in Photoways, Inc. Where a put and call agreement is in place, when option holders exercise their option, they receive a share of common stock in Photoways, Inc. At the point of a triggering event, PhotoBox Holdco Limited will exercise a call option to acquire this share of common stock in Photoways, Inc. for an ordinary share in PhotoBox Holdco Limited. Under both arrangements, the change to the settlement of the option reflects a modification but does not result in any change in the fair value of the options originally issued under the 2005 plan.

	Year ended 30 April 2015		Year ended 30 April 2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At start of period	16,159,428	£0.84	15,679,428	£0.84
Granted	2,713,000	£1.39	926,000	£0.89
Forfeited	(986,721)	£0.94	(391,875)	£0.87
Exercised	(1,251,751)	£0.78	(54,125)	£0.74
At end of period	16,633,956	£0.93	16,159,428	£0.84
Exercisable at end of period	11,297,672	£0.82	11,932,141	£0.81

The weighted average remaining contractual life for the share options outstanding as at 30 April 2015 is 5.15 years (30 April 2014: 6.31 years).

The weighted average fair value of options granted during the year was £0.73 (year ended 30 April 2014 £0.68).

Of the options exercised in the year ended 30 April 2015, 980,266 options exercised (2014: 50,000) for cash consideration of £783,000 (2014: £37,000) resulted in the issue of shares in Photoways, Inc which are subject to the put and call agreement described above.

19 SHARE BASED PAYMENTS (continued)

The following table lists the inputs used:

Grant date	Strike price	Risk free rate	Volatility	Expected life (years)	Fair value of option
Year ended 31.12.2005	$1.15	3.70%	65.42%	5.58 - 5.89	$0.70
Year ended 31.12.2006	$1.15	3.70%	56.77%	5.58 - 6.08	$0.63 to $0.65
Year ended 31.12.2007	$1.15 to $1.39	4.50%	100.00%	6.00	$0.93 to $1.12
Year ended 31.12.2008	$1.39	4.00%	100.00%	6.08	$1.12
Year ended 31.12.2009	$1.39	2.10% - 2.50%	100.00%	6.08	$1.11
Year ended 31.12.2010	$1.39	1.27% - 1.93%	60.00%	6.08	$0.78 to $0.79
Year ended 31.12.2011	$1.39	2.80%	57.00%	6.00	$0.77
Year ended 31.12.2011	$0.89	1.03% - 1.32%	57.00%	6.00	£0.45
4 months ended 30.4.2012	£0.89	1.05%	57.00%	6.00	£0.45
Year ended 30.4.2013	£0.89	0.69% - 0.78%	57.00%	6.00	£0.44 to £0.45
Year ended 30.4.2014	£0.89 to £1.39	1.68% - 1.94%	56.00%	6.00	£0.44 to £0.89
Year ended 30.4.2015	£1.39	2.01%	54.00%	6.00	£0.73

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

The transfers to reserve as per IFRS 2 in relation to the grant of share options to the group's part or full time officers, employees or directors for the year ended 30 April 2015 was £954,000 (2014: £681,000), which included £26,000 in respect of other share based payment transactions.

20 CASH GENERATED FROM OPERATIONS

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Profit before taxation	2,668	1,792
Adjustments for:		
- Depreciation	4,326	3,830
- Amortisation	10,401	8,891
- Intangible assets impairment charge	3,942	191
- Loss on disposal of property plant and equipment and intangible fixed assets	299	7
- Share based payment charge	954	681
- Net finance costs	2,365	2,223
- Unrealised foreign exchange gain on operating activities	(1,284)	(282)
Changes in working capital:		
- Increase in inventories	(837)	(147)
- (Increase) / decrease in trade and other receivables	(642)	1,615
- Increase in trade and other payables	4,957	4,414
	27,149	23,215

21 COMMITMENTS AND CONTINGENCIES

a) Contingencies

All group companies, excluding PhotoBox Holdco Limited, have given a guarantee in respect of the bank borrowings which amounted to £61,341,000 (2014: £29,027,000).

b) Operating lease commitments

The group leases various premises and machinery under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 30 April 2015	At 30 April 2014
	£'000	£'000
No later than 1 year	1,875	2,046
Later than 1 year and no later than 5 years	3,648	3,211
Later than 5 years	506	321
	6,029	5,578

c) Finance lease commitments

The group has finance leases for various items of plant and machinery. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	At 30 April 2015		At 30 April 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	£'000	£'000	£'000	£'000
No later than 1 year	84	83	375	375
Later than 1 year and no later than 5 years	-	-	143	120
Total minimum lease payments	84	83	518	495
Less amounts representing finance charges	(1)	-	(23)	-
Present value of minimum lease payments	83	83	495	495

22 RELATED PARTY TRANSACTIONS

Insight Venture Management LLC
During the year, the Group paid £nil (2014: £9,000) to Insight Venture Management LLC ("Insight") for consultancy services.

LR Handen, a director of PhotoBox Holdco Limited until 1 October 2014, was (until 1 October 2014) an employee of Insight and a Managing Director in investment funds which are managed by Insight (and which are shareholders in PhotoBox Holdco Limited).

Key Management
During the 16 month period ended 30 April 2012, I Martin (a member of Key Management) became a trustee of a registered charity Moonpig Foundation (registered no. 7171262), which is a separate legal entity from Moonpig.com Ltd. There were financial transactions between the two entities during the year to the value of £33,000 (2014: £33,000), of which £33,000 (2014: £33,000) was paid to the Foundation as a charitable donation.

Compensation of Key Management personnel of the Group

	Year ended 30 April 2015 £'000	Year ended 30 April 2014 £'000
Short-term employee benefits	2,163	1,904
Post-employment pension and medical benefits	181	172
Share based payment transactions	672	508
Total compensation relating to Key Management personnel	3,016	2,584

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to Key Management personnel. Key Management are those persons having authority and responsibility for planning, directing and controlling the activities of the group.

Interests in long term incentive plans
Share options held by executive and non-executive members of the Board of Directors and Key Management personnel, under the 2005 Stock Option and Grant Plan Photoways, Inc and the PhotoBox Holdco Limited Long Term Incentive Plan, to purchase ordinary shares have the following expiry dates and exercise prices:

	Expiry date	Exercise price	30 April 2015 Number outstanding	30 April 2014 Number outstanding
Issue date:				
2005	2015	$1.15	-	200,101
2006	2016	$1.15	2,989,365	3,440,335
2007	2017	$1.15	882,334	1,153,501
2008	2018	$1.39	250,000	250,000
2009	2019	$1.39	15,000	15,000
2010	2020	$1.39	3,095,822	3,525,225
2011	2021	£0.89	2,660,000	3,710,000
2012	2022	£0.89	50,000	50,000
2013	2023	£0.89	380,000	380,000
2014	2024	£1.39	2,014,000	-
			12,336,521	12,724,162

23 BUSINESS COMBINATIONS
Acquisition of Hofmann

On 1 December 2014, the Group acquired 100% of the share capital of Hofmann Marketing y Tecnologia S.L. and its subsidiaries, Spain's leading online photobook company. The principle reasons for the acquisition was to give the Group clear leadership in a third European market and a stronger presence in other European countries.

23 BUSINESS COMBINATIONS (continued)

Assets acquired and liabilities assumed

	Note	**Fair value recognised on acquisition £'000**
Cash consideration		54,201
Post-closing adjustment		(2,396)
Contingent consideration		1,055
Total consideration		**52,860**
Assets		
Tangible	*10*	8,836
Intangible fixed assets	*9*	1,445
Cash and cash equivalents		7,346
Trade and other receivables		1,721
Inventories		1,757
Investment in associate		32
Financial assets		6
Liabilities		
Trade and other payables		(2,525)
Current income tax payable		(2,491)
Deferred tax liability	8	(830)
Borrowings		(15,319)
Total identifiable net assets at fair value		**(22)**
Goodwill and intangibles arising on acquisition		**52,882**
Analysed as follows:		
Intangible assets	9	36,355
Deferred tax arising on intangible assets	8	(9,145)
Goodwill	9	25,672

Goodwill is allocated entirely to the Hofmann and Posterjack CGUs.

From the date of acquisition to 30 April 2015, Hofmann Group contributed £15,409,000 of revenue and profit before tax of £2,411,000 to the net profit before tax of the Group, of which £1,151,000 relates to the amortisation of intangibles arising on acquisition.

Included within the total consideration is £1,055,000 of contingent consideration payable to the sellers relating to potential historical and future tax credits on dividends. The value has been determined based on historical tax submissions and estimated future distributable reserves.

Transactions costs of £986,000 were expensed in the year to 30 April 2015.

Of the total goodwill and intangibles arising of £52,882,000, intangible assets to the value of £36,355,000 were recognised on acquisition, primarily in terms of the trademark and customer relationship. The remaining goodwill represents the value derived from future incremental profitability over and above that which existed at the time of the acquisition, including synergies and cost savings through economies of scale. None of the goodwill recognised is deductible for income tax purposes.

Had Hofmann been owned for the full year ended 30 April 2015, the Group proforma results would have been revenue of £233,259,000 and net profit before tax of £3,965,000.

23 BUSINESS COMBINATIONS (continued)
Acquisition of StickyGram.com

On the 18 June 2013, the Group acquired the trade and assets of StickyGram (subsequently renamed Sticky9), a business which enables customers to print their Instagram digital photographs. The principle reason for the acquisition was to expand the Group's offering of personalised products to customers and enhance the Group's social and mobile platforms.

Assets acquired and liabilities assumed

	Note	**Fair value recognised on acquisition £'000**
Cash consideration		6,000
Contingent consideration		37
Total consideration		**6,037**
Net assets acquired		-
Goodwill and intangibles arising on acquisition	10	**6,037**
Analysed as follows:		
Intangible assets	10	2,266
Goodwill	10	3,771

Goodwill is allocated entirely to the Sticky9 CGU. Goodwill recognised is deductible for income tax purposes.

From the date of acquisition to 30 April 2014, Sticky9 contributed £1,325,000 of revenue and a loss before tax of £1,369,000 to the net profit before tax of the Group, of which £1,343,000 related to the amortisation and impairment of goodwill and intangibles arising on acquisition.

Transactions costs of £68,000 were expensed in the year to 30 April 2014.

Of the total goodwill and intangibles arising of £6,037,000, intangible assets to the value of £2,266,000 were recognised on acquisition, primarily in terms of the technology and non-compete agreement. The remaining goodwill represents the value derived from future incremental profitability over and above that which existed at the time of the acquisition, including synergies and cost savings through economies of scale.

Subsequent to the acquisition of StickyGram, Instagram announced changes in their position asking that for those brands using the Instagram API, the "insta" or "gram" terminology is no longer used in its name. This was an indicator of impairment for the year ended 31 April 2014 and has resulted in an impairment of the tradename of £191,000 (note 9). In March 2014, the Directors took the decision to change their tradename to Sticky9.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

We have audited the financial statements of PhotoBox Holdco Limited for the period ended 30 April 2015 which comprise the Balance Sheet and the related notes 1 to 10. 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).

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 52, 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 parent 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2015;
- have been properly prepared in accordance with United Kingdom 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 Strategic Report and 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, 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.

Other matter

We have reported separately on the group financial statements of PhotoBox Holdco Limited for the year ended 30 April 2015.

Ernst & Young LLP

Nick Powell (Senior Statutory Auditor)
For and on behalf of ERNST & YOUNG LLP, Statutory Auditor
1 More London Place
London SE1 2AF

9 July 2015

PhotoBox Holdco Limited (Company)
COMPANY BALANCE SHEET
at 30 April 2015

	Notes	**30 April 2015 £'000**	**30 April 2014 £'000**
Fixed assets			
Investments in group companies	*4*	112,252	112,252
Current assets			
Debtors	*5*	138	3
Cash at bank and in hand		3	1
TOTAL ASSETS		112,393	112,256
Current liabilities			
Creditors: amounts falling due within one year	*6*	(2,281)	(1,959)
TOTAL LIABILITIES		(2,281)	(1,959)
NET ASSETS		110,112	110,297
Capital and reserves			
Ordinary share capital	*7*	25	25
"A" Preference share capital	*7*	31	31
"B" Preference share capital	*7*	7	7
"C" Preference share capital	*7*	37	37
Share premium	*8*	71,492	71,193
Merger reserve	*8*	40,875	40,875
Retained earnings	*8*	(2,355)	(1,871)
TOTAL SHAREHOLDERS' FUNDS	*9*	110,112	110,297

The financial statements on pages 53 to 58 were approved by the board of directors and authorised for issue on 9 July 2015 and are signed on its behalf by:

S Laurent
Director

Company Registration No. 07648443

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. A summary of the material accounting policies, which have been consistently applied and reviewed by the board of directors in accordance with Financial Reporting Standard (FRS) 18, "Accounting policies", is set out below:

Basis of accounting

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

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.

Investments in subsidiaries

Investments in subsidiaries are initially recorded at cost. Where an acquisition satisfies the provisions of section 612 of the Companies Act 2006 for merger relief, the investment is stated at the nominal value of shares issued plus the fair value of any other consideration.

Cash flow statement

The Company has taken advantage of the exemption in FRS 1 Revised 1996 "Cash flow statements" which provides that where a company is a member of a group and a consolidated cash flow statement is published, the company does not have to prepare a cash flow statement.

Foreign 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.

Taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

The Company does not have any financial instruments, other than intercompany payables and receivables and cash. Due to the short-term nature of these balances, the Company considers the fair value of these items to equal the carrying value.

2. PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss after taxation was £510,000 (2014: £1,881,000). The Company has no employees (2014: none). Audit fees are disclosed in Note 3 to the consolidated financial statements. The company has paid no dividends in the period (2014: £nil).

3. STAFF COSTS & DIRECTORS REMUNERATION

Staff costs of the two executive directors in the period were borne by a fellow group company.

The profit and loss account includes £26,000 in respect of a share based payment to a director (2014: £30,000).

4. INVESTMENTS IN GROUP COMPANIES

	£'000
Cost and net book value	
As at 1 May 2014 and 2015	112,252

Interests in group undertakings
Details of subsidiary and associated undertakings are as follows:

Name of Company	Country of incorporation	Holding	Proportion of voting rights and shares directly held	Proportion of voting rights and shares indirectly held	Nature of business
Subsidiaries:					
PhotoBox Holdco Gamma Ltd	UK	Ordinary shares	100.0%	-	Holding company
PhotoBox Holdco Alpha Ltd	UK	Ordinary shares	-	100.0%	Holding company
PhotoBox Holdco Beta Ltd	UK	Ordinary shares	-	100.0%	Holding company
PhotoBox UK Ltd (previously PhotoBox Ltd)	UK	Ordinary shares	-	100.0%	Trading company
Moonpig.com Ltd	UK	Ordinary shares	-	100.0%	Trading company
PhotoBox SAS	France	Share capital	-	100.0%	Trading company
Photoways Inc.	USA	Common stock Preference stock	-	100.0%	Holding company
PhotoBox GmbH	Germany	Share capital	-	100.0%	Service company
Online Photo Sverige AB	Sweden	Share capital	-	100.0%	Service company
Hofmann Marketing y Tecnologia S.L.	Spain	Share capital	-	100.0%	Holding company
Hofmann S.L.U	Spain	Share capital	-	100.0%	Trading company
Marco 2, S.L.U	Spain	Share capital	-	100.0%	Service company
Fotolibro, S.L.	Spain	Share capital	-	100.0%	Service company
Posterjack, GmbH	Germany	Share capital	-	100.0%	Trading company
Posterjack, Schweiz GmbH	Switzerland	Share capital	-	100.0%	Trading company
Associates:					
Online Print Décor Inc.	Canada	Share capital	-	20.0%	Trading company
Best Window Industrial Limited	China	Share capital	-	20.0%	Trading company
Tung Fong Ltda. Company Limited	China	Share capital	-	20.0%	Trading company
Beijing Boarding Arts & Crafts Manufacturing C. Ltd	China	Share capital	-	20.0%	Trading company

The directors are of the opinion that the individual investments in the subsidiary and associated undertakings have a value not less than the amount at which they are shown in the Balance Sheet.

5. DEBTORS

	30 April 2015 £'000	**30 April 2014 £'000**
Due within one year:		
Prepayments	13	-
Amounts owed by other group undertakings	125	3
	138	3

6. CREDITORS: Amounts falling due within one year

	30 April 2015 £'000	30 April 2014 £'000
Amounts owed to group undertakings	2,281	1,959

Amounts due to group undertakings are unsecured and interest free, have no fixed date of repayment and are repayable on demand.

7. SHARE CAPITAL

	At 30 April 2015 £'000	At 30 April 2014 £'000
Allotted, issued and fully paid:		
25,379,666 ordinary shares of 0.1p each*	25	25
31,350,187 "A" Convertible preference shares of 0.1p each	31	31
7,077,781 "B" Convertible preference shares of 0.1p each	7	7
36,758,342 "C" Convertible preference shares of 0.1p each	37	37
	100	100

*including 4,334 Non-Voting Ordinary Shares

The issued share capital of the Company is divided into the following classes of shares: (i) Ordinary Shares; (ii) Non-Voting Ordinary shares; (iii) Class A Convertible preference Shares; (iv) Class B Convertible preference Shares; and (v) Class C Convertible preference Shares.

Each holder of outstanding Class A Convertible preference shares, Class B Convertible preference shares and Class C Convertible preference shares are entitled to cast such number of votes as is equal to the number of Ordinary Shares into which the Class A Convertible preference shares, Class B Convertible preference shares and/or Class C Convertible preference shares held by such holder are convertible as of the record date for determining shareholders entitled to vote on such matter.

Subject to applicable laws and the Articles of association, holders of Class A Convertible preference shares, Class B Convertible preference shares and Class C Convertible preference shares shall vote together with the holders of Ordinary Shares as a single class.

Class A Convertible preference shares
Class A Convertible preference shares carry a dividend US$0.09229 per annum plus all dividend previously accrued on the shares of Series A Preferred Stock pursuant to the Photoways Inc articles of association. Accrued dividends are payable when and as declared by the Board or the Company, or upon liquidation, dissolution or winding up of the Company. Class A Convertible preference shares are convertible into Ordinary shares at the option of the holder.

Class B Convertible preference shares
Class B Convertible preference shares carry a dividend US$0.15256 per annum plus all dividend previously accrued on the shares of Series B Preferred Stock pursuant to the Photoways Inc articles of association. Accrued dividends are payable when and as declared by the Board or the Company, or upon liquidation, dissolution or winding up of the Company. Class B Convertible preference shares rank in preference to the holders of any

other class or series of shares (other than the holders of Class C Convertible preference shares) and on a pari passu basis with the holders of Class C Convertible preference shares. Class B Convertible preference shares are convertible into Ordinary shares at the option of the holder.

Class C Convertible preference shares
Class C Convertible preference shares carry a dividend of 8.0% per annum plus all dividend previously accrued on the shares of Series C Preferred Stock pursuant to the Photoways Inc articles of association. Accrued dividends are payable when and as declared by the Board or the Company, or upon liquidation, dissolution or winding up of the Company. Class C Convertible preference shares rank in preference to the holders of any other class or series of shares (other than the holders of Class B Convertible preference shares) and on a pari passu basis with the holders of Class B Convertible preference shares. Class C Convertible preference shares are convertible into Ordinary shares at the option of the holder.

Year ended 30 April 2015:
As at 30 April 2015 the following shares were in issue:

Ordinary shares	25,379,666
Class A Convertible preference shares	31,350,187
Class B Convertible preference shares	7,077,781
Class C Convertible preference shares	36,758,342

In the year ended 30 April 2015 the following issues were made:

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In the year ended 30 April 2014 the following issues were made:

Ordinary shares:
On 20 January 2014, 34,200 £0.001 ordinary shares were issued in exchange for the provision of non-executive director services. Cash consideration was £nil.

During the year, 4,125 £0.001 ordinary shares were issued in exchange for the exercise of share options. Cash consideration of £3,000 was received

8. STATEMENT OF MOVEMENT ON RESERVES

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2014	71,193	40,875	(1,871)
Issue of share capital	299	-	-
Share based payment	-	-	26
Loss for the year	-	-	(510)
At 30 April 2015	71,492	40,875	(2,355)

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	30 April 2015 £'000	30 April 2014 £'000
Opening shareholders' funds	110,297	112,145
Loss for the financial year	(510)	(1,881)
Issue of share capital (net of costs)	299	33
Share based payment	26	-
Closing shareholders' funds	110,112	110,297

10. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from disclosure available to parent companies under FRS 8 "Related party disclosures", where transactions and balances between group entities have been eliminated on consolidation.