

# Photobox Limited

## REPORT AND FINANCIAL STATEMENTS

Year end 30 April 2018



Company Registration No. 03906401

# Photobox Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

AR Burns  
JMR Ford

### SECRETARY

AR Burns

### REGISTERED OFFICE

10 Back Hill  
London  
EC1R 5EN

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

# Photobox Limited

## STRATEGIC REPORT

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### REVIEW OF THE BUSINESS

Revenue has decreased from £98,179,000 in the prior year to £89,875,000 which is largely attributable to a decrease in marketing promotional activities and offers.

Despite the decrease in revenue, gross margin percentage has increased to 46.0% (2017: 44.3%). The Company intends to continue to improve margins in the financial year ending 30 April 2019 through sales mix development, further economies of scale and production efficiencies.

The Company made an operating profit before exceptional items of £516,000 (2017: £2,952,000). Profits are expected to improve in the financial year ending 30 April 2019 through improved gross margin, together with controlled growth of operating expenditure.

### RESULTS

As at 30 April 2018, the company is in a net asset position of £12,085,000 (2017: 13,489,000). The loss for the financial year, is £1,404,000 (2017: Profit of £2,703,000). This includes £1,399,000 (2017: £nil) of one-off exceptional costs. See Note 5.

### OPERATING REVIEW

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

	<b>Year ended 30 April 2018</b>	<b>Year ended 30 April 2017</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	£89,875	£98,179
Gross Profit	£41,349	£43,541
Gross Profit vs Revenue	46.0%	44.3%
Operating Profit before exceptional items	£516	£2,952
Operating Profit before exceptional items vs Revenue	0.6%	3.0%

### PRINCIPAL RISKS AND UNCERTAINTIES

#### *Competitive risks*

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

#### *Legislative risks*

The Company is subject to consumer law in the jurisdictions in which it operates, including distance-selling and data-protection directives. The General Data Protection Regulation (GDPR) came into effect on 25 May 2018, changing the European privacy landscape. The regulation has introduced a new principle to data protection rules in Europe: that of accountability. GDPR requires that the controller is responsible for making sure all privacy principles are adhered to and that the Group can demonstrate compliance with all GDPR principles.

In addition, the Company's production facilities are subject to further legislation (for example, in respect of Health and Safety and Waste Processing). The Company continues to retain professional advisors in respect of the risk of non-compliance with new and existing directives.

The Company is impacted by the UK's decision to exit the European Union, which will influence the cross-border movement of labour and goods.

# Photobox Limited

## STRATEGIC REPORT

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### FINANCIAL RISKS

#### *Exposure to credit, liquidity and cash flow risks.*

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

#### *Foreign exchange risks*

The Company's operating expenses are part invoiced in Euro denominated transactions and fluctuations in Sterling / Euro exchange rates is therefore a principal risk to the business. The directors consider that the Company has a partial natural hedge in place as regards the Euro (where receipts and payments are broadly matched).

On behalf of the board



**A Burns**

Director

30 July 2018

# Photobox Limited

## DIRECTORS' REPORT

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The directors present their report and audited financial statements for the year ended 30 April 2018.

### FUTURE DEVELOPMENTS

The directors expect the Company to continue its current activities. The Company expects to continue to improve underlying profitability in 2018/19 through growth in sales from continuing activities, coupled with improved gross margins and controlled management of operating expenditure.

### DIVIDENDS

The directors do not recommend the payment of a dividend (2017: £5,826,000).

### DIRECTORS

The directors who served during the year and up to the date of signing the financial statements were those listed on page 1.

### GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed "Going concern" on page 13 sets out certain factors relevant to the directors' consideration in reaching this assessment.

### FINANCIAL RISK MANAGEMENT

The section of the strategic report headed "Financial Risks" on page 3 sets out the Company's approach to financial risk management.

### RESEARCH & DEVELOPMENT

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

### EMPLOYMENT POLICIES

During the year, the Company maintained its practice of keeping employees informed of information on matters that concern them as employees. This practice is accomplished through the method of all employee briefings, internal communication channels and email. The Company, additionally, continued to consult with employees on a regular basis to ensure the views of employees are taken into account. The Company has a strong demand for highly qualified staff and is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. In the event of any staff becoming disabled while with the Company, their needs and abilities would be assessed and the Company would, where possible, seek to offer alternative employment to them if they were no longer able to continue in their current role.

### DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

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 auditors are 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 auditors.

# Photobox Limited

## DIRECTORS' REPORT

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### INDEPENDENT AUDITORS

Pursuant to section 478 of the Companies Act 2006 the auditor will be deemed to be reappointed, therefore PricewaterhouseCoopers LLP will remain in office.

### DIRECTORS' INDEMNITIES

The Group headed by Horizon Holdco Limited (the Company's ultimate parent undertaking) has made qualifying third-party indemnity provisions for the benefit of its directors on behalf of the Company which were made during the year and remain in force at the date of this report.

On behalf of the board



**A Burns**

Director

30 July 2018

# Photobox Limited

## DIRECTORS' RESPONSIBILITIES STATEMENT

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

# Photobox Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOTOBX LIMITED

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### Report on the audit of the financial statements

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#### Opinion

In our opinion, Photobox Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 April 2018; the statement of profit or loss and other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.



# Photobox Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOTOBX LIMITED

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 April 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Jordan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

20 July 2018

# Photobox Limited

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 April 2018

	Note	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Revenue	2	89,875	98,179
Cost of sales	3	(48,526)	(54,638)
<b>Gross profit</b>		<b>41,349</b>	<b>43,541</b>
Administrative expenses		(40,833)	(40,589)
<b>Operating profit before exceptional items</b>		<b>516</b>	<b>2,952</b>
Exceptional items	5	(1,399)	-
<b>Operating (loss)/profit</b>	4	<b>(883)</b>	<b>2,952</b>
Finance income	6	34	16
Finance costs	7	(545)	(221)
<b>(Loss)/Profit before taxation</b>		<b>(1,394)</b>	<b>2,747</b>
Taxation	9	(10)	(44)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<b>(1,404)</b>	<b>2,703</b>
<b>TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR</b>		<b>(1,404)</b>	<b>2,703</b>

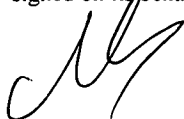
All activities relate to continuing operations.

There is no other comprehensive income for the financial year.

Photobox Limited  
 STATEMENT OF FINANCIAL POSITION  
 as at 30 April 2018

	Note	30 April 2018	30 April 2017
		£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	5,037	6,634
Intangible assets	11	7,738	4,257
Deferred tax assets	9	1,518	1,528
Other non-current assets	14	459	461
<b>Total non-current assets</b>		<b>14,752</b>	<b>12,880</b>
<b>Current assets</b>			
Inventories	12	1,946	2,601
Trade and other receivables	13	23,362	6,162
Corporation tax receivable		1,098	350
Cash and cash equivalents		2,101	1,530
<b>Total current assets</b>		<b>28,507</b>	<b>10,643</b>
<b>TOTAL ASSETS</b>		<b>43,259</b>	<b>23,523</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	29,978	8,647
Deferred revenue		640	945
Provisions for other liabilities and charges	16	556	442
<b>Total current liabilities</b>		<b>31,174</b>	<b>10,034</b>
<b>NET ASSETS</b>		<b>12,085</b>	<b>13,489</b>
<b>CAPITAL AND RESERVES</b>			
<b>Equity attributable to owners of the parent</b>			
Called up share capital	17	65	65
Share premium account		855	855
Retained earnings		11,165	12,569
<b>TOTAL EQUITY</b>		<b>12,085</b>	<b>13,489</b>

The financial statements on pages 9 to 25 were approved by the board of directors and authorised for issue on 30 July 2018 and are signed on its behalf by:



A Burns  
 Director

Company Registration No. 03906401

**Photobox Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 April 2018

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	Called up share capital (Note 17) £'000	Share Premium account £'000	Retained earnings £'000	Total equity £'000
At 1 May 2016	65	855	15,692	16,612
Profit for the financial year	-	-	2,703	2,703
Total comprehensive profit for the year	-	-	2,703	2,703
Dividend payment	-	-	(5,826)	(5,826)
<b>At 30 April 2017</b>	<b>65</b>	<b>855</b>	<b>12,569</b>	<b>13,489</b>
Loss for the financial year	-	-	(1,404)	(1,404)
Total comprehensive loss for the year	-	-	(1,404)	(1,404)
<b>At 30 April 2018</b>	<b>65</b>	<b>855</b>	<b>11,165</b>	<b>12,085</b>

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2018

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### 1.1 CORPORATE INFORMATION

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 10 Back Hill, London EC1R 5EN.

### 1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### New standards, amendments and interpretations

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers (and the related Clarifications)*
- IFRS 16 *Leases*
- IFRS 17 *Insurance Contracts*
- IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*
- IFRS 4 (amendments) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- IAS 40 (amendments) *Transfers of Investment Property*
- Annual Improvements to IFRSs 2014 – 2016 Cycle Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IFRS 28 *Investments in Associates and Joint Ventures*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- IFRIC 22 *Foreign Currency Transactions and Advanced Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods. There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting years and on foreseeable future transactions.

### 1.3 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). A summary of the material accounting policies, which have been consistently applied in preparing the financial statements for the year ended 30 April 2018, is set out below:

#### a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention. The company has taken advantage of the following disclosure exemptions under FRS 101:

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

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2018

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### 1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

#### b) Going concern

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

#### c) Intangible assets

Intangible assets are stated at historical cost.

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

- technical feasibility of completing the intangible assets so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; 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. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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

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

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

#### d) Property, plant and equipment

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2018

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### 1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

#### e) Inventory

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

#### f) Taxes

##### i) Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### ii) Deferred tax

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

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

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

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

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

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

#### g) 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.

#### h) Leased assets and obligations

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

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 April 2018

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#### 1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

##### i) Foreign currency

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

##### j) Financial instruments

###### Financial assets

###### *Initial recognition and measurement*

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

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

###### *Subsequent measurement*

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

###### *Loans and receivables*

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

###### Financial liabilities

###### *Initial recognition and measurement*

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

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

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

###### *Subsequent measurement*

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

###### *Loans and borrowings*

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

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

###### Offsetting of financial instruments

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



# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2018

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### 1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

#### k) Provisions

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

#### l) Retirement benefits

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

#### m) Changes to presentation

Comparative information is reclassified where appropriate to enhance comparability.

#### n) Share capital

Ordinary shares are classified as equity.

Where any company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### o) Revenue

Revenue is recognised at the fair value of the consideration received or receivable for sale of goods in the ordinary nature of the business. Where the Company acquires customers through a third party, the Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Where the Company holds the primary risks and rewards, the Company is deemed to be acting as the principal. Revenue 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 Value Added Tax. The Company is satisfied that there is no material difference on the timing of revenue recognition between shipment and delivery to the customer.

The Company offers pre-paid vouchers/"pack" products. Customers have a maximum term after the purchase date of the pack to consume these prepaid products. The income from the sales of these packs is deferred and recognised as they are consumed. Revenue from pre-paid accounts is deferred and recognised when the goods are dispatched. 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.

Customers have the ability to return goods where they are not satisfied. Upon closing, a provision for returns and re-makes is posted to the accounts to cover the risk, based on the history of such matters. Revenue is recognised upon the supply of goods and services to fellow group companies in the ordinary course of business.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2018

### 1.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### Judgements, estimates and assumptions:

##### a) *Recoverability of deferred tax asset*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. See Note 9.

##### b) *Exceptional items*

Exceptional items are those items the Company 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 Company's financial performance. See Note 5.

## 2 REVENUE

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
Revenue with third parties	62,634	73,038
Revenue with group companies	27,241	25,141
<b>Total revenue</b>	<b>89,875</b>	<b>98,179</b>

The Company's revenue were all derived from its principal activity.

	Year ended 30 April 2018 %	Year ended 30 April 2017 %
Percentage of revenue to non-UK markets	12%	13%

## 3 COST OF SALES

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
Cost of sales with third parties	29,252	35,563
Cost of sales with group companies	19,024	19,075
<b>Total cost of sales</b>	<b>48,276</b>	<b>54,638</b>

**Photobox Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2018

**4 OPERATING (LOSS)/ PROFIT**

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
Nature of expenses charged/(credited) to operating (loss)/profit:		
Depreciation of property, plant and equipment:		
- owned assets	2,622	2,165
Amortisation of intangible assets	2,974	1,901
Operating lease payments	985	907
Auditors' remuneration:		
- audit fees	62	60
Foreign exchange gain	(48)	(451)
Profit on disposal of property, plant and equipment and intangible assets	(136)	-

**5 EXCEPTIONAL ITEMS**

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
<b>Exceptional losses:</b>		
Restructuring Costs	944	-
Office Relocation Costs	266	-
Impairment	189	-
<b>Total exceptional losses</b>	<b>1,399</b>	<b>-</b>

Exceptional losses comprise:

- Restructuring costs – relates to restructuring activities and office closure announced during the financial year.
- Office relocation costs – relates to costs incurred during the move to Photobox Group's new Headquarters and the cost of dual running two Headquarters' for part of the year.
- Impairment – current year impairment relates to assets which formed part of the Photobox Group's previous London Headquarters

**6 FINANCE INCOME**

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
Bank interest	-	16
Foreign exchange gain on Group undertakings	34	-
<b>Total finance income</b>	<b>34</b>	<b>16</b>

**Photobox Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2018

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**7 FINANCE COSTS**

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
Interest payable on group undertakings	545	221
<b>Total finance costs</b>	<b>545</b>	<b>221</b>

**8 STAFF COSTS**

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
Wages and salaries	13,367	15,281
Social security costs	1,060	1,445
Other pension costs	126	176
	<b>14,553</b>	<b>16,902</b>

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

	Year ended 30 April 2018	Year ended 30 April 2017
	Number	Number
Management and administration	185	183
Production	195	196
	<b>380</b>	<b>379</b>

During the year to 30 April 2018 the Directors' remuneration of £1,028,000 (2017: £1,188,000) was paid by Horizon Bidco Limited, a fellow group company.

Photobox Limited  
NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 30 April 2018

9 TAXATION

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
(a) Tax on profit		
The tax charge/(credit) is made up as follows:		
Current tax:		
UK corporation tax credit on profit for the year	-	-
Adjustment in respect of prior years	-	52
Total current tax	-	52
Deferred tax:		
Origination and reversal of temporary differences	(70)	(106)
Impact of changes in tax law and rates	80	98
Total deferred tax	10	(8)
<b>Total tax charge for the year</b>	<b>10</b>	<b>44</b>

	Year ended 30 April 2018	Year ended 30 April 2017
	£'000	£'000
(b) The tax assessed for the year differs from the standard UK rate of corporation tax applicable of 19.00% (2017: 19.92%). The differences are explained below:		
(Loss)/Profit before taxation	(1,394)	2,746
(Loss)/Profit multiplied by the UK tax rate	(265)	547
Effects of:		
Expenses not deductible for tax purposes	111	16
Non-taxable income	(66)	-
Group Relief	(541)	(645)
Movement in unrecognised deferred tax	612	-
Tax underpaid in previous years	79	28
Change in tax laws and rate	80	98
<b>Total tax charge for the year</b>	<b>10</b>	<b>44</b>

**Photobox Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2018

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**9 TAXATION (continued)**

(c) Deferred tax

Deferred tax relates to following:

	Statement of financial position	Statement of financial position	Statement of profit and loss	Statement of profit and loss
	30 April 2018 £'000	30 April 2017 £'000	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
Decelerated capital allowances	515	188	(374)	(73)
Share based payments	-	-	-	-
Tax losses carried forward	661	1,272	612	35
Other timing differences	342	68	(308)	(68)
<b>Deferred tax benefit</b>	-	-	-	-
<b>Net deferred tax assets</b>	<u>1,518</u>	<u>1,528</u>	<u>(70)</u>	<u>(106)</u>

(d) Reconciliation of deferred tax assets

	Year ended 30 April 2018 £'000	Year ended 30 April 2017 £'000
At start of year	1,528	1,520
Credit in the year	70	106
Change in tax rate	(80)	(98)
Movement through equity	-	-
<b>At end of year</b>	<u>1,518</u>	<u>1,528</u>

**Factors affecting current and future tax charges**

The Finance Act 2015 reduces the UK corporation tax rate to 19% with effect from 1 April 2018. The Finance Act 2017 received Royal Assent on 15 September 2017 and, this reduces the UK corporation tax rate to 17% with effect from 1 April 2020. Deferred tax has been measured using the rates substantively enacted at 30 April 2018, taking account of when the temporary difference is expected to reverse.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2018

### 10 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Fixtures, fittings and equipment	Leasehold improvements	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
1 May 2017	7,049	631	3,123	3,218	14,021
Additions	351	292	132	575	1,350
Disposals	(152)	(60)	(2,069)	(581)	(2,862)
<b>30 April 2018</b>	<b>7,248</b>	<b>863</b>	<b>1,186</b>	<b>3,212</b>	<b>12,509</b>
<b>Accumulated depreciation</b>					
1 May 2017	3,153	273	2,455	1,506	7,387
Charge for year	1,162	127	407	926	2,622
Impairment	-	-	189	-	189
Disposals	(16)	(60)	(2,069)	(581)	(2,726)
<b>30 April 2018</b>	<b>4,299</b>	<b>340</b>	<b>982</b>	<b>1,851</b>	<b>7,472</b>
<b>Net book value</b>					
<b>30 April 2018</b>	<b>2,949</b>	<b>523</b>	<b>204</b>	<b>1,361</b>	<b>5,037</b>
<b>30 April 2017</b>	<b>3,896</b>	<b>358</b>	<b>668</b>	<b>1,712</b>	<b>6,634</b>

### 11 INTANGIBLE ASSETS

	Technology and capitalised development costs	Customer relationships	Other Intangibles	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
1 May 2017	10,266	20	752	11,038
Additions	5,065	-	1,390	6,455
Disposals	(3,786)	-	(124)	(3,910)
<b>30 April 2018</b>	<b>11,545</b>	<b>20</b>	<b>2,018</b>	<b>13,583</b>
<b>Accumulated amortisation</b>				
1 May 2017	6,541	20	220	6,781
Charge for year	2,606	-	368	2,974
Disposals	(3,786)	-	(124)	(3,910)
<b>30 April 2018</b>	<b>5,361</b>	<b>20</b>	<b>464</b>	<b>5,845</b>
<b>Net book value</b>				
<b>30 April 2018</b>	<b>6,184</b>	<b>-</b>	<b>1,554</b>	<b>7,738</b>
<b>30 April 2017</b>	<b>3,725</b>	<b>-</b>	<b>532</b>	<b>4,257</b>

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

**Photobox Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2018

**12 INVENTORIES**

	<b>30 April 2018 £'000</b>	<b>30 April 2017 £'000</b>
Raw materials and consumables	1,946	2,601

The cost of inventories recognised as an expense and included in cost of sales during the year amounted to £7,030,537 (2017: £12,752,000).

Write-downs of inventories to net realisable value amounted to £86,400 (2017: nil). These were recognised as an expense during the year ended 30 April 2018 and included in 'cost of sales' in profit or loss.

**13 TRADE AND OTHER RECEIVABLES**

	<b>At 30 April 2018 £'000</b>	<b>At 30 April 2017 £'000</b>
<i>Due within one year:</i>		
Trade receivables	327	718
Other receivables	1,184	1,217
Prepayments	1,746	2,577
Amounts due from group undertakings – Trading	20,105	1,650
	<b>23,362</b>	<b>6,162</b>

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

**14 OTHER NON-CURRENT ASSET**

	<b>30 April 2018 £'000</b>	<b>30 April 2017 £'000</b>
Lease Deposit	459	461

**15 TRADE AND OTHER PAYABLES**

	<b>At 30 April 2018 £'000</b>	<b>At 30 April 2017 £'000</b>
Trade payables	4,115	3,336
Other payables	-	345
Other taxation and social security	694	802
Accruals	4,630	4,164
Amounts due to group undertakings – Trading	8,223	-
Amounts due to group undertakings – Loan	12,316	-
	<b>29,978</b>	<b>8,647</b>

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



**Photobox Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2018

**16 PROVISIONS FOR OTHER LIABILITIES AND CHARGES**

	Warranty Provision £'000	Dilapidations Provision £'000	Other provisions £'000	Total £'000
At 1 May 2017	70	253	119	442
Utilised in year	(22)	-	-	(22)
Additions to provisions	-	136	-	136
At 30 April 2018	48	389	119	556

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

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

Other provisions relate to various litigation matters. The timing of settlement for litigation matters is unknown.

**17 CALLED UP SHARE CAPITAL**

	At 30 April 2018 £'000	At 30 April 2017 £'000
<b>Authorised:</b>		
50,000,000 (2017: 50,000,000) ordinary shares of 0.5p each	250	250
<b>Allotted, issued and fully paid:</b>		
13,132,300 (2017: 13,132,300) ordinary shares of 0.5p each	65	65

The issued share capital of the Company is comprised of ordinary shares.

There have been no share issues during financial year ending 30 April 2018 and 30 April 2017.

**18 COMMITMENTS UNDER OPERATING LEASES**

At 30 April 2018, the Company had annual commitments under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 30 April 2018 £'000	At 30 April 2017 £'000
Land and buildings:		
No later than 1 year	554	1,093
Later than 1 year and no later than 5 years	506	48
	1,060	1,141

**19 CONTINGENT LIABILITIES**

The Company has given a guarantee in respect of the bank borrowings of another group company, which amounted to £244,110,000 at 30 April 2018 (2017 - £236,618,000).

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 30 April 2018

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#### **20 RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. There have been no other related party transactions.

#### **21 ULTIMATE GROUP UNDERTAKING**

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

The Company's ultimate parent undertaking is Horizon Holdco Limited, which is incorporated in the UK. This is the largest group in whose financial statements the Company is consolidated. Copies of the group financial statements are available from 10 Back Hill, London, EC1R 5EN.

The ultimate controlling party is Exponent Private Equity LLP by virtue of the provisions contained in the shareholders deed in Horizon Holdco Limited.