Photobox Limited

REPORT AND FINANCIAL STATEMENTS

Year ended 30 April 2019

Company Registration No. 03906401

Photobox Limited
DIRECTORS AND OFFICERS

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

REVIEW OF THE BUSINESS

Photobox Limited engages in the production of personalised products and retail gifting using its internet platform. Revenue has increased from £89,875,000 in the prior year to £112,426,000 which is largely attributable to an increase in revenue from group companies.

Overall gross margin percentage has increased to 58.6% (2018: 46.0%) driven by increase in revenue from group companies. The gross margin from trading activities has increased to 53.5% (2018: 52.9%). The Company intends to continue to improve margins in the financial year ending 30 April 2020 through sales mix development, further economies of scale and production efficiencies.

The Company made an operating loss before exceptional items of £2,221,000 (2018: operating profit of £516,000). Profitability is expected to improve in the financial year ending 30 April 2020 through improved gross margin, together with controlled growth of operating expenditure.

RESULTS

As at 30 April 2019, the company is in a net asset position of £4,659,000 (2018: 12,085,000). The loss for the financial year, is £7,426,000 (2018: Loss of £1,404,000). This includes £4,130,000 (2018: £1,399,000) of one-off exceptional costs. See Note 5.

OPERATING REVIEW

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

	Year ended 30 April 2019 £'000	**Year ended 30 April 2018 £'000**
Revenue with third parties	63,208	62,634
Revenue with group companies	49,218	27,241
Total revenue	**112,426**	**89,875**
Gross Profit	65,894	41,349
Gross Profit vs Revenue	58.6%	46.0%
Operating (loss)/profit before exceptional items	(2,221)	516
Operating (loss)/profit before exceptional items vs Revenue	(2.0%)	0.6%

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 engage 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.

FINANCIAL RISKS

Exposure to credit, liquidity and cash flow risks.
Virtually all Company revenues are derived from debit/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 regarding the Euro (where receipts and payments are broadly matched).

On behalf of the board

A Burns
Director
16 September 2019

Photobox Limited
DIRECTORS REPORT

The directors present their report and audited financial statements for the year ended 30 April 2019.

FUTURE DEVELOPMENTS

The directors expect the Company to continue its current activities. The Company expects to continue to improve underlying profitability in 2019/20 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 (2018: nil).

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.

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.

FINANCIAL RISK MANAGEMENT

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

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. The Group gives full consideration to applications for employment from people with disabilities where the requirements of the job can be adequately fulfilled. 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. The Company offers employees a bonus scheme which incorporates a % based on Group performance.

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.

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
16 September 2019

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.

Report on the audit of the financial statements

Our 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 2019 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 2019; the statement of comprehensive loss, 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.

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.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 or, 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.

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 2019 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. 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.

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
16 September 2019

Photobox Limited
STATEMENT OF COMPREHENSIVE LOSS
for the year ended 30 April 2019

	Note	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
Revenue	2	112,426	89,875
Cost of sales	3	(46,532)	(48,526)
Gross profit		**65,894**	**41,349**
Administrative expenses		(68,115)	(40,833)
Operating (loss)/profit before exceptional items		**(2,221)**	**516**
Exceptional items	5	(4,130)	(1,399)
Operating loss	4	**(6,351)**	**(883)**
Finance income	6	588	34
Finance costs	7	(1,532)	(545)
Loss before taxation		**(7,295)**	**(1,394)**
Tax on loss	9	(131)	(10)
LOSS FOR THE FINANCIAL YEAR		**(7,426)**	**(1,404)**
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**(7,426)**	**(1,404)**

All activities relate to continuing operations.

Photobox Limited
STATEMENT OF FINANCIAL POSITION
as at 30 April 2019

	Note	30 April 2019 £'000	30 April 2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	3,987	5,037
Intangible assets	11	18,096	7,738
Deferred tax assets	9	1,761	1,518
Other non-current assets	14	356	459
Total non-current assets		**24,200**	**14,752**
Current assets			
Inventories	12	1,721	1,946
Trade and other receivables	13	14,618	23,362
Corporation tax receivable		978	1,098
Cash and cash equivalents		857	2,101
Total current assets		**18,174**	**28,507**
TOTAL ASSETS		**42,374**	**43,259**
LIABILITIES			
Current liabilities			
Trade and other payables	15	36,311	29,978
Deferred revenue		1,034	640
Provisions for other liabilities and charges	16	29	556
Total current liabilities		**37,374**	**31,174**
Non-current liabilities			
Provisions for other liabilities and charges	16	341	-
Total non-current liabilities		**341**	**-**
TOTAL LIABILITIES		**37,715**	**31,174**
NET ASSETS		**4,659**	**12,085**
CAPITAL AND RESERVES			
Equity attributable to owners of the parent			
Called up share capital	18	65	65
Share premium account		855	855
Retained earnings		3,739	11,165
TOTAL EQUITY		**4,659**	**12,085**

The financial statements on pages 9 to 26 were approved by the board of directors and authorised for issue on 16 September 2019 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 2019

	Called up share capital (Note 18)	Share Premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 May 2017	65	855	12,569	**13,489**
Loss for the financial year	-	-	(1,404)	**(1,404)**
Total comprehensive loss for the financial year	-	-	(1,404)	**(1,404)**
At 30 April 2018	65	855	11,165	**12,085**
Loss for the financial year	-	-	(7,426)	**(7,426)**
Total comprehensive loss for the financial year	65	855	3,739	**4,659**
At 30 April 2019	65	855	3,739	**4,659**

1. ACCOUNTING POLICY

1.1 CORPORATE INFORMATION

The company is a private company limited by shares and is incorporated and domiciled in England. 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 16 *Leases*
- IFRS 17 *Insurance Contracts*
- IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*
- 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*

IFRS 15 Revenue from Contract with customers

The Company has adopted IFRS 15 "Revenue from Contracts with Customers" retrospectively from 1 May 2018. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligation and recognise revenue as these performance obligations are satisfied. The vast majority of the Company's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. Accordingly, the adoption of IFRS 15 has not had a material impact on the timing of revenue recognition and has not had a material impact on the Company's financial position. Prior year comparatives have not been restated because the transition adjustments were not material.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 "Financial Instruments" retrospectively from 1 May 2018 except where prospective application is required as specified in the standard. The adoption of IFRS 9 resulted in a change to the Company's accounting estimates to reflect the new expected credit loss impairment model for financial assets, particularly in relation to the provision for trade receivables, but did not have a material impact on the Company's financial position. Prior year comparatives have not been restated because the transition adjustment was not material

Other Amendments

There are no new other standards or amendments to existing standards and interpretations that are effective for the year ended 30 April 2019 that have had a material impact on the Company.

New standards, amendments and interpretations not yet adopted

IFRS 16 "Leases" is effective for the year ending 30 April 2020 and will have a material impact on the financial statements. The Company has adopted IFRS 16 with effect from 1 May 2019 and intends to use the modified retrospective approach to transition utilising certain practical expedients outlined in the standard, notably the exclusion of low value (less than £5,000) and short-term leases (less than 12 months). Data has been collated on all the Company's leases for which IFRS 16 is applicable, and these are principally warehouses, offices, factory equipment and vehicles. This data has been used to calculate the impact of transitioning to IFRS as at 1 May 2019.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The new standard requires that the Company's leased assets are recorded within property, plant and equipment as "Right of use assets" with a corresponding lease liability which is based on the present value of the future payments required under each lease discounted at the incremental borrowing rate. It is currently estimated that the adoption of IFRS will increase the carrying value property, plant and equipment at 1 May 2019 by £662,000 with liabilities increasing by £662,000. Under the new standard, the existing operating lease expense previously recorded in operating costs will be replaced by a depreciation charge, which will be lower than the previous operating lease expense by approximately £14,000. There will be no net cash flow impact arising from the adoption of the new standard.

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.

The principal accounting policies are set out below. Policies have been applied consistently, other than where new policies have been applied

1.3 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using FRS 101, 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 2019, 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 paragraphs 91-99 of IFRS 13 Fair Value Measurement;
b) 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;
c) 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;
d) The requirements of IAS 7 Statement of Cash Flows;
e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
f) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
g) 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;
h) The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards paragraphs 6 to 21 to present an opening statement of financial position at transition.

b) Going concern

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

1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

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:

	Useful lives	*Amortisation method*	*Internally generated or acquired*
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.

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.

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
Under IFRS 9, all financial assets are measured at amortised cost, fair value through profit or loss or fair value through OCI on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets include cash and cash equivalents, and trade and other receivables. These assets are continued to be measured at amortised cost as they meet the condition for classification at amortised cost under IFRS 9.

Impairment
The new impairment model requires the recognition of impairment provisions based on expected credit losses. It applies to financial assets classified at amortised cost, debt instruments at fair value through OCI, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

The introduction of IFRS 9 has had no material impact on the value of the Company's financial assets.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IFRS 9 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 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.

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 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 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 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.

1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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) Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

p) Revenue

The Company is principally engaged in the sale of goods to customers representing a single performance obligation which is satisfied upon dispatch of the relevant goods. Revenue from the sale of goods, as well as the related shipping and handling expenses billed to customers, are recognised upon shipment. The Company are satisfied that there is no material difference on the timing of revenue recognition between shipment and delivery to the customer. Revenue is shown net of local sales tax and is reduced for provisions of customer returns and re-makes based on the history of such matters. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

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.

1.3 PRINCIPAL ACCOUNTING POLICIES (continued)

The Company offers 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 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.

There has been no significant change to the Company's accounting policy for revenue as a result of the adoption of IFRS 15 from 1 May 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 2019	**Year ended 30 April 2018**
	£'000	**£'000**
Revenue with third parties	63,208	62,634
Revenue with group companies	49,218	27,241
Total revenue	**112,426**	**89,875**

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

	Year ended 30 April 2019 %	**Year ended 30 April 2018 %**
Percentage of revenue to non-UK markets	35%	12%

3 COST OF SALES

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
Cost of sales with third parties	29,390	29,502
Cost of sales with group companies	17,142	19,024
Total cost of sales	**46,532**	**48,526**

4 OPERATING LOSS

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
Nature of expenses charged/(credited) to operating loss:		
Depreciation of property, plant and equipment:		
- owned assets	3,705	2,622
Amortisation of intangible assets	3,554	2,974
Operating lease payments	1,252	985
Auditors' remuneration:		
- audit fees	57	62
- taxation services	77	22
Foreign exchange loss/(gain)	489	(48)
Profit on disposal of property, plant and equipment and intangible assets	-	(136)

5 EXCEPTIONAL ITEMS

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
Exceptional losses:		
Restructuring costs	3,855	944
Office relocation costs	275	266
Impairment	-	189
Total exceptional losses	**4,130**	**1,399**

Exceptional losses comprise:

- Restructuring costs – relates to restructuring activities and office closure announced during the previous 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 – Prior year impairment relates to assets which formed part of the Photobox Group's previous London Headquarters.

6 FINANCE INCOME

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
Interest receivable from group undertakings	588	34

7 FINANCE COSTS

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
Interest payable to group undertakings	1,532	545

8 STAFF COSTS

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
Wages and salaries	10,786	13,367
Social security costs	1,598	1,060
Other pension costs	341	126
Total staff costs	**12,725**	**14,553**

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

	Year ended 30 April 2019	Year ended 30 April 2018
	Number	Number
Management and administration	271	185
Production	183	195
	454	**380**

During the year to 30 April 2019 the Directors' remuneration of £889,000 (2018: £1,028,000) was paid by Horizon Bidco Limited, a fellow group company.

9 TAX ON LOSS

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
(a) Tax on loss on ordinary activities		
The tax charge/(credit) is made up as follows:		
Deferred tax:		
Origination and reversal of temporary differences	115	(70)
Impact of changes in tax law and rates	16	80
Total deferred tax	131	10
Total tax charge for the year	**131**	**10**

	Year ended 30 April 2019	Year ended 30 April 2018
	£'000	£'000
(b) The tax assessed for the year differs from the standard UK rate of corporation tax applicable of 19.00% (2018: 19.00%). The differences are explained below:		
Loss before taxation	(7,295)	(1,394)
Loss multiplied by the UK tax rate	(1,386)	(265)
Effects of:		
Expenses not deductible for tax purposes	19	111
Non-taxable income	(20)	(66)
Group Relief	1,237	(541)
Movement in unrecognised deferred tax	-	612
Tax underpaid in previous years	265	79
Change in tax laws and rate	16	80
Total tax charge for the year	**131**	**10**

9 TAX ON LOSS

(c) Deferred tax

Deferred tax relates to following:

	Statement of financial position 30 April 2019 £'000	Statement of financial position 30 April 2018 £'000	Statement of comprehensive loss Year ended 30 April 2019 £'000	Statement of comprehensive loss Year ended 30 April 2018 £'000
Decelerated capital allowances	(253)	515	768	(374)
Tax losses carried forward	1,323	661	(662)	612
Other timing differences	691	342	25	(308)
Net deferred tax assets	**1,761**	**1,518**	**131**	**(70)**

(d) Reconciliation of deferred tax assets

	Year ended 30 April 2019 £'000	Year ended 30 April 2018 £'000
At start of year	1,518	1,528
Credit in the year	(115)	70
Change in tax rate	(16)	(80)
Other	374	-
At end of year	**1,761**	**1,518**

Factors affecting current and future tax charges

The Finance (No2) act 2015 enacted reductions in the main rate of UK corporation tax from 20% to 19% from 1 April 2018 and from 19% to 18% from 1 April 2020. The Finance Act 2016 enacted a further reduction in the main rate of corporation tax to 17% from 1 April 2020.

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Fixtures, fittings and equipment	Leasehold improvements	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
1 May 2018	7,248	863	1,186	3,212	12,509
Additions	53	518	-	707	1,278
Disposals	-	-	(535)	-	(535)
30 April 2019	**7,301**	**1,381**	**651**	**3,919**	**13,252**
Accumulated depreciation					
1 May 2018	4,299	340	982	1,851	7,472
Charge for year	1,073	231	99	925	2,328
Disposals	-	-	(535)	-	(535)
30 April 2019	**5,372**	**571**	**546**	**2,776**	**9,265**
Net book value					
30 April 2019	**1,929**	**810**	**105**	**1,143**	**3,987**
30 April 2018	**2,949**	**523**	**204**	**1,361**	**5,037**

Depreciation costs are partially recharged between fellow group companies.

11 INTANGIBLE ASSETS

	Technology and capitalised development costs	Customer relationships	Other Intangibles	Total
	£'000	£'000	£'000	£'000
Cost				
1 May 2018	11,545	20	2,018	13,583
Additions	13,268	-	624	13,892
30 April 2019	**24,813**	**20**	**2,642**	**27,475**
Accumulated amortisation				
1 May 2018	5,361	20	464	5,845
Charge for year	2,849	-	685	3,534
30 April 2019	**8,210**	**20**	**1,149**	**9,379**
Net book value				
30 April 2019	**16,603**	-	**1,493**	**18,096**
30 April 2018	**6,184**	-	**1,554**	**7,738**

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

12 INVENTORIES

	At 30 April 2019 £'000	At 30 April 2018 £'000
Raw materials and consumables	1,721	1,946

The cost of inventories recognised as an expense and included in cost of sales during the year amounted to £8,357,048 (2018: £7,030,537).

Write-downs of inventories to net realisable value amounted to £28,040 (2018: £86,400). These were recognised as an expense during the year ended 30 April 2019 and included in 'cost of sales' in profit or loss.

13 TRADE AND OTHER RECEIVABLES

	At 30 April 2019 £'000	At 30 April 2018 £'000
Due within one year:		
Trade receivables	73	327
Other receivables	3,574	1,184
Prepayments	1,963	1,746
Amounts owed by group undertakings – Trading	9,008	20,105
	14,618	**23,362**

Amounts owed by group companies are unsecured, have no fixed date of repayment, are repayable on demand. Interest is accrued on intercompany loans based on market rates. Of the above balance due from Group companies £0 is loan related (2018: £0).

14 OTHER NON-CURRENT ASSETS

	At 30 April 2019 £'000	At 30 April 2018 £'000
Lease Deposit	356	459

15 TRADE AND OTHER PAYABLES

	At 30 April 2019 £'000	At 30 April 2018 £'000
Trade payables	3,767	4,115
Other payables	174	-
Other taxation and social security	647	694
Accruals	8,280	4,630
Amounts owed to group undertakings – Trading	22,242	8,223
Amounts owed to group undertakings – Loan	1,201	12,316
	36,311	**29,978**

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

16 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranty Provision £'000	Dilapidations Provision £'000	Other provisions £'000	Total £'000
At 1 May 2018	48	389	119	556
Utilised in year	(19)	(197)	-	(216)
Additions to provisions	-	30	-	30
At 30 April 2019	**29**	**222**	**119**	**370**

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 INVESTMENT IN SUBSIDIARIES

Investments comprise an equity share of £1 in Photobox Free Prints Limited, which was incorporated during the year and is not publicly traded. The company is incorporated in the United Kingdom. The address of the registered office of Photobox Free Prints Limited is 10 Back Hill, London, United Kingdom, EC1R 5EN.

The company owns 100% of the ordinary shares of Photobox Free Prints Limited (2018: 0%). During the year, the company received no dividends from Photobox Free Prints Limited (2018: £0).

18 CALLED UP SHARE CAPITAL

	At 30 April 2019	At 30 April 2018
	£'000	£'000
Authorised:		
50,000,000 (2018: 50,000,000) ordinary shares of 0.5p each	250	250
Allotted, issued and fully paid:		
13,132,300 (2018: 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 2019 and 30 April 2018.

19 COMMITMENTS UNDER OPERATING LEASES

At 30 April 2019, 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 2019	At 30 April 2018
	£'000	£'000
Land and buildings:		
No later than 1 year	683	554
Later than 1 year and no later than 5 years	154	506
	837	1,060

20 CONTINGENT LIABILITIES

The Company has given a guarantee in respect of the bank borrowings of another group company, which amounted to £262,004,000 at 30 April 2019 (2018: £244,110,000).

21 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.

22 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.