Photobox Limited

REPORT AND FINANCIAL STATEMENTS

Year end 30 April 2017

Company Registration No. 03906401

Photobox Limited
DIRECTORS AND OFFICERS

DIRECTORS

A Burns
J Ford (appointed 21 July 2016)
S Laurent (resigned 21 July 2016)

SECRETARY

A Burns

REGISTERED OFFICE

Unit 7
30 Great Guildford Street
London
SE1 0HS

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

REVIEW OF THE BUSINESS

Revenue has decreased from £99,801,000 in the prior year to £98,179,000. This represents an increase in external revenue of £2,301,000, offset by a decrease of revenue with group companies £3,923,000. The growth in external revenue is primarily due to a successful, continuing campaign of new customer acquisition as well as focus on existing customer loyalty.

Gross margin percentage has increased to 44% (2016: 43%). The Company intends to improve margins in the financial year ending 30 April 2018 through sales mix development, further economies of scale and production efficiencies.

The Company made a profit before exceptional items for the year of £2,952,000 (2016: £5,255,000). Profits are expected to improve in the financial year ending 30 April 2018 due to improved gross margin, together with controlled growth of operating expenditure.

RESULTS

The profit for the financial year, is £2,703,000 (2016: £4,194,000).

OPERATING REVIEW

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

	Year ended 30 April 2017	**Year ended 30 April 2016**
Revenue	£98,179,000	£99,801,000
Gross Profit	£43,541,000	£43,279,000
Gross Profit vs Revenue	44%	43%
Operating Profit before exceptional items	£2,952,000	£5,255,000
Operating Profit before exceptional items vs Revenue	3%	5%

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive risks

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

Legislative risks

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

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.

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 Horizon Holdco Group has a partial natural hedge in place as regards the EURO (where receipts and payments are broadly matched), which the Company benefits from.

On behalf of the board

A Burns
Director
8 December 2017

The directors present their report and audited financial statements for the year ended 30 April 2017.

FUTURE DEVELOPMENTS

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

DIVIDENDS

The directors recommended and approved the payment of a dividend of £5,826,000 (2016: £ Nil).

DIRECTORS

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

GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 11 sets out certain factors relevant to the directors' consideration in reaching this assessment.

RESEARCH & DEVELOPMENT

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

EMPLOYMENT POLICIES

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

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE 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

Following an audit tender process, PricewaterhouseCoopers LLP was appointed during the year and has indicated its willingness to continue in office.

On behalf of the board

A Burns
Director

8 December 2017

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 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.

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.

Report on the financial statements

Our opinion

In our opinion, Photobox Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 30 April 2017;
- the Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

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

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Mark Jordan (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 December 2017

Photobox Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 April 2017

	Note	Year ended 30 April 2017	Year ended 30 April 2016
		£'000	**£'000**
Revenue	2	98,179	99,801
Cost of sales	3	(54,638)	(56,522)
Gross profit		**43,541**	**43,279**
Administrative expenses		(40,589)	(38,024)
Operating profit before exceptional items		**2,952**	**5,255**
Exceptional items	*5*	-	(2,426)
Operating profit	*4*	**2,952**	**2,829**
Finance income	*6*	16	49
Finance costs	*7*	(221)	(411)
Profit before taxation		**2,747**	**2,467**
Taxation on profit	*9*	(44)	1,727
PROFIT FOR THE FINANCIAL YEAR		**2,703**	**4,194**
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		**2,703**	**4,194**

All activities relate to continuing operations.

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

Photobox Limited
STATEMENT OF FINANCIAL POSITION
as at 30 April 2017

	Note	30 April 2017	30 April 2016
		£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	6,634	4,704
Intangible assets	11	4,257	3,045
Deferred tax assets	9	1,528	1,520
Other non-current assets	14	461	436
Total non-current assets		**12,880**	**9,705**
Current assets			
Inventories	12	2,601	2,657
Trade and other receivables	13	6,162	18,156
Income tax receivable		350	1,599
Cash and cash equivalents		1,530	1,073
Total current assets		**10,643**	**23,485**
TOTAL ASSETS		**23,523**	**33,190**
LIABILITIES			
Current liabilities			
Trade and other payables	15	8,647	15,175
Deferred revenue		945	1,081
Provisions for other liabilities and charges	16	442	322
Total current liabilities		**10,034**	**16,578**
NET ASSETS		**13,489**	**16,612**
CAPITAL AND RESERVES			
Equity attributable to owners of the parent			
Called up share capital		65	65
Share premium account		855	855
Retained earnings		12,569	15,692
TOTAL EQUITY		**13,489**	**16,612**

The financial statements on pages 7 to 26 were approved by the board of directors and authorised for issue on 8 December 2017 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 2017

	Called up share capital (Note 17) £'000	Share Premium account £'000	Retained earnings £'000	Total equity £'000
At 1 May 2015	65	855	15,811	**16,731**
Profit for the financial year	-	-	4,194	**4,194**
Total comprehensive profit	-	-	4,194	**4,194**
Share based payment	-	-	674	**674**
Deferred taxation	-	-	(524)	**(524)**
Group relief	-	-	(4,463)	**(4,463)**
At 30 April 2016	65	855	15,692	**16,612**
Profit for the financial year	-	-	2,703	**2,703**
Total comprehensive profit	-	-	2,703	**2,703**
Dividend Payment	-	-	(5,826)	**(5,826)**
At 30 April 2017	65	855	12,569	**13,489**

1.1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). A summary of the material accounting policies, which have been consistently applied in preparing the financial statements for the year ended 30 April 2017, 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;

b) Going concern

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

c) Intangible fixed assets

Intangible fixed assets are stated at historical cost.

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

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when 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/or accumulated impairment losses, if any. Subsequent expenditure (expenditure for replacement and expenditure for bringing up to standard) is capitalised and amortised over the remaining useful life of the fixed asset to which it is related. All other servicing and maintenance costs are expensed as incurred.

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

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

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

e) Inventory

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

f) Taxes

i) Current income tax

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

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

ii) Deferred tax

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

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

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

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

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

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

g) Share-based payments

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

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

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

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

h) Leased assets and obligations

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

i) Foreign currency

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

j) Financial instruments

Financial assets
Initial recognition and measurement

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

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

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

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

Financial liabilities

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

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

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

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

Loans and borrowings
Obligations for loans and payables are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.
After initial recognition, interest bearing loans as well as payables are subsequently measured at amortised cost using the effective interest method

Offsetting of financial instruments

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

Derecognition of financial instruments

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

k) Provisions

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

l) Retirement benefits

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

m) Changes to presentation

Prior period costs and revenues from inter-group recharges have been reclassified to provide more reliable and relevant information and to enhance comparability. £3,694,000 has been reclassified from administrative expenses to revenue for the year ended 30 April 2016.

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 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.

o) Revenue (continued)

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

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

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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 Group considers to be material in nature and out of the normal course of business that should be brought to the reader's attention in understanding the Group's financial performance. See Note 5.

c) Share based payment
Assumptions are made in relation to share awards where the Black-Scholes model is used to calculate the charge. Key assumptions are volatility, risk free rate, the probability of non-vesting and the expected life of the option.

2 REVENUE

	Year ended 30 April 2017	Year ended 30 April 2016
	£'000	£'000
Revenue with third parties	73,038	70,737
Revenue with group companies	25,141	29,064
Total revenue	**98,179**	**99,801**

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

	Year ended 30 April 2017	Year ended 30 April 2016
	%	%
Percentage of revenue to non-UK markets	13%	18%

3 COST OF SALES

	Year ended 30 April 2017	Year ended 30 April 2016
	£'000	£'000
Cost of sales with third parties	35,563	33,270
Cost of sales with group companies	19,075	23,252
Total cost of sales	**54,638**	**56,522**

4 OPERATING PROFIT

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Nature of expenses charged/(credited) to operating profit:		
Depreciation of property, plant and equipment:		
- owned assets	2,165	2,122
Amortisation of intangible assets	1,901	2,930
Operating lease payments	907	864
Auditors' remuneration:		
- audit fees	60	40
- other services	-	5
Share based payment expense	-	674
Foreign exchange gain	(451)	(274)
Profit on disposal of property, plant and equipment and intangible assets	-	(6)

5 EXCEPTIONAL ITEMS

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Exceptional losses:		
Transaction costs	-	2,426
Total exceptional losses	**-**	**2,426**

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

6 FINANCE INCOME

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Bank interest	16	4
Interest receivable from group undertakings	-	45
Total finance income	**16**	**49**

7 FINANCE COSTS

	Year ended 30 April 2017	Year ended 30 April 2016
	£'000	£'000
Interest payable to group undertakings	221	411
Total finance costs	**221**	**411**

8 STAFF COSTS

	Year ended 30 April 2017	Year ended 30 April 2016
	£'000	£'000
Wages and salaries	15,281	15,269
Social security costs	1,445	1,342
Other pension costs	176	171
Employee share schemes	-	674
	16,902	**17,456**

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

	Year ended 30 April 2017	Year ended 30 April 2016
	Number	Number
Management and administration	188	183
Production	206	196
	394	**379**

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	-	1,041
Pension costs	-	15
Health care costs	-	2
	-	**1,058**
The number of directors to whom retirement benefits are accruing under money purchase pension schemes was:	-	2
The number of directors who exercised share options was:	-	2

8 STAFF COSTS (continued)

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
The amounts in respect of the highest paid director are as follows:		
Aggregate emoluments	-	749
Pension costs	-	8
Health care costs	-	1
	-	**758**

During the year to 30 April 2017 the Directors' remuneration of £1,188,000 (2016: £543,000) was paid by Horizon Bidco Limited, a fellow group company.

9 TAXATION ON PROFIT

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'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	-	(1,214)
Adjustment in respect of prior years	52	(68)
Total current tax	52	(1,282)
Deferred tax:		
Origination and reversal of temporary differences	(106)	(614)
Impact of changes in tax law and rates	98	169
Total deferred tax	(8)	(445)
Total tax charge/(credit) for the year	**44**	**(1,727)**

9 TAXATION ON PROFIT (continued)

	Year ended 30 April 2017	Year ended 30 April 2016
	£'000	**£'000**
(b) The tax assessed for the year differs from the standard UK rate of corporation tax applicable of 19.92% (2016: 20.0%). The differences are explained below:		
Profit before taxation	2,747	2,467
Profit multiplied by the UK tax rate	547	493
Effects of:		
Expenses not deductible for tax purposes	16	9
Group Relief	(645)	-
Share based payments relief	-	(2,335)
Tax underpaid/(overprovided) in previous years	28	(30)
Change in tax laws and rate	98	169
Other permanent differences	-	(33)
Total tax charge/(credit) for the year	**44**	**(1,727)**

(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
			Year ended	**Year ended**
	30 April 2017	**30 April 2016**	**30 April 2017**	**30 April 2016**
	£'000	**£'000**	**£'000**	**£'000**
Decelerated capital allowances	188	129	(73)	15
Share based payments	-	-	-	914
Tax losses carried forward	1,272	1,382	35	(1,536)
Other timing differences	68	9	(68)	(7)
Deferred tax benefit	-	-	-	-
Net deferred tax assets	**1,528**	**1,520**	**(106)**	**(614)**

9 TAXATION ON PROFIT (continued)

(d) Reconciliation of deferred tax assets

	Year ended 30 April 2017 £'000	Year ended 30 April 2016 £'000
At start of year	1,520	1,599
Credit in the year	106	614
Change in tax rate	(98)	(169)
Movement through equity	-	(524)
At end of year	**1,528**	**1,520**

Factors affecting current and future tax charges

The Finance Act 2015 reduces the UK corporation tax rate to 19% with effect from 1 April 2017. The Finance Act 2016 received Royal Assent on 15 September 2016 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 2017, taking account of when the temporary difference is expected to reverse.

10 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost					
1 May 2016	**4,876**	**468**	**2,779**	**1,806**	**9,929**
Additions	2,177	163	344	1,412	4,096
Disposals	(4)	-	-	-	(4)
30 April 2017	**7,049**	**631**	**3,123**	**3,218**	**14,021**
Accumulated depreciation					
1 May 2016	**2,049**	**177**	**2,159**	**840**	**5,225**
Charge for year	1,107	96	296	666	2,165
Disposals	(3)	-	-	-	(3)
30 April 2017	**3,153**	**273**	**2,455**	**1,506**	**7,387**
Net book value					
30 April 2017	**3,896**	**358**	**668**	**1,712**	**6,634**
30 April 2016	2,827	291	620	966	4,704

11 INTANGIBLE ASSETS

	Technology and capitalised development costs £'000	Customer relationships £'000	Other Intangibles £'000	Total £'000
Cost				
1 May 2016	**7,507**	**20**	**398**	**7,925**
Additions	2,759	-	354	3,113
30 April 2017	**10,266**	**20**	**752**	**11,038**
Accumulated amortisation				
1 May 2016	**4,702**	**20**	**158**	**4,880**
Charge for year	1,839	-	62	1,901
30 April 2017	**6,541**	**20**	**220**	**6,781**
Net book value				
30 April 2017	**3,725**	**-**	**532**	**4,257**
30 April 2016	2,805	-	240	3,045

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

12 INVENTORIES

	30 April 2017 £'000	30 April 2016 £'000
Raw materials and consumables	[illegible]	[illegible]

The cost of inventories recognised as an expense and included in cost of sales during the year amounted to £12,752,000 (2016: £8,865,000).

13 TRADE AND OTHER RECEIVABLES

	At 30 April 2017 £'000	At 30 April 2016 £'000
Due within one year:		
Trade receivables	718	360
Other receivables	1,217	779
Prepayments	2,577	1,340
Amounts owed by group undertakings – Trading	1,650	12,021
Amounts owed by group undertakings - Loan	-	3,656
	6,162	**18,156**

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

14 OTHER NON-CURRENT ASSETS

	30 April 2017 £'000	30 April 2016 £'000
Lease Deposit	4	436

15 TRADE AND OTHER PAYABLES

	At 30 April 2017 £'000	At 30 April 2016 £'000
Trade payables	3,336	2,375
Other payables	345	370
Other taxation and social security	802	912
Accruals	4,164	5,683
Amounts owed to group undertakings – Trading	-	3,918
Amounts owed to group undertakings – Loan	-	1,917
	8,647	**15,175**

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.

16 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranty Provision £'000	Dilapidations Provision £'000	Other provisions £'000	Total £'000
At 1 May 2016	99	104	119	322
Utilised in year	(99)	-	-	(99)
Additions to provisions	70	149	-	219
At 30 April 2017	**70**	**253**	**119**	**442**

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 2017 £'000	At 30 April 2016 £'000
Authorised:		
50,000,000 (2016: 50,000,000) ordinary shares of 0.5p each	250	250
Allotted, issued and fully paid:		
13,132,300 (2016:13,132,300) ordinary shares of 0.5p each	65	65

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

18 SHARE BASED PAYMENT

All options issued have been granted under the Long Term Incentive Plan of Photobox Holdco Limited.

The vesting period of the options starts on the 1st anniversary of the grant date (where 25% of the options vest), and continues with monthly vesting over a period of 36 months. The maximum term of an option is 10 years from the date the option is granted.

During the year to 30 April 2016, the Photobox Holdco Limited Group was acquired leading to all unvested options lapsing.

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

	2017	**2017**	2016	2016
	Number of options	**Weighted average exercise price (£)**	Number of options	Weighted average exercise price (£)
Outstanding at the beginning of the period	-	-	11,586,230	0.92
Granted during the period	-	-	381,150	1.60
Forfeitures in period	-	-	(964,380)	1.42
Exercised	-	-	(11,003,100)	0.91
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

The weighted average remaining contractual life for the share options outstanding at 30 April 2017 is nil years (at 30 April 2016: nil years). The weighted average fair value of the options granted during the year was £0.00 (year ended 30 April 2016: £0.71).

DETAILS OF OPTIONS GRANTED

The following table lists the inputs used:

Grant date	**Strike price**	**Risk free rate**	**Volatility**	**Expected life (years)**	**Fair value**
Year ended 30.4.2015	£1.39	2.01%	54%	6.0	£0.73
Year ended 30.4.2016	£1.60	1.38% - 1.45%	45%	6.0	£0.71
Year ended 30.4.2017	-	-	-	-	-

18 SHARE BASED PAYMENT (continued)

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

The Black-Scholes model has been used to determine the market value of share options. The transfers to share based payment reserve as per FRS 20 in relation to the grant of share options to Photobox Limited's part or full time officers, employees or directors for the year ended 30 April 2017 was £nil (2017: £674,000).

19 COMMITMENTS UNDER OPERATING LEASES

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

	At 30 April 2017	At 30 April 2016
	£'000	£'000
Land and buildings:		
No later than 1 year	1,093	915
Later than 1 year and no later than 5 years	48	1,163
	1,141	2,078

20 CONTINGENT LIABILITIES

The Company has given a guarantee in respect of the bank borrowings of another group company, which amounted to £236,618,000 at 30 April 2017 (2016 - £222,759,000).

21 RELATED PARTY TRANSACTIONS

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

22 ULTIMATE GROUP UNDERTAKING

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

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