

# Photobox Limited

## REPORT AND FINANCIAL STATEMENTS

period ended  
30 April 2012



Company Registration No 03906401

# Photobox Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

S Laurent  
MW Chapman

### SECRETARY

JT Longley (resigned 6 August 2012)  
A Burns (appointed 6 August 2012)

### REGISTERED OFFICE

The Great Barn  
Oxford Road  
Old Chalford  
Oxfordshire  
OX7 5QR

### AUDITOR

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

# Photobox Limited

## DIRECTORS' REPORT

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The directors present their report and financial statements for the 16 month period ended 30 April 2012

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activity during the period continued to be the supply of digital photographic and ancillary goods and services to business-to-consumer and business-to-business customers in the UK

Turnover continued to grow during the period primarily due to a successful, continuing campaign of new customer acquisition as well as focus on existing customer loyalty

Gross margin percentage continues to improve, and the Company intends to continue to improve margins in the financial year ending 30 April 2013 through sales mix development, further economies of scale and production efficiencies

The Company made a profit before tax for the 16 month period of £5,035,649 (year ended 31 December 2010 £753,241) which it intends to further improve in the financial year ending 30 April 2013 due to improved gross margin, together with controlled growth of operating expenditure

### FUTURE DEVELOPMENTS

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

### RESULTS AND DIVIDENDS

The profit for the period, after taxation, is £3,771,737 (year ended 31 December 2010 £305,052). The directors do not recommend the payment of a dividend (2010 £Nil)

### 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 EU and UK consumer law, 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

#### *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 partly invoiced in Euro denominated transactions and fluctuations in Sterling / Euro exchange rates is therefore a principal risk to the business

# Photobox Limited

## DIRECTORS' REPORT

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### DIRECTORS

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

### OPERATING REVIEW

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

	16 months ending 30 April 2012	Year ending 31 December 2011
Turnover	£43,244,215	£27,392,534
Gross Profit	£21,824,685	£12,761,594
Gross Profit vs Turnover	50%	47%
Operating Profit before share based payments	£6,210,135	£1,551,740
Operating Profit before shared based payments vs Turnover	14%	6%

Turnover and margins are influenced by the mix of the products sold, the pricing strategy and production costs. It should also be noted that seasonality in the business means that the Key Performance Indicators for the 16 month period to 30 April 2012 are not necessarily comparable with those stated for the 12 months ended 31 December 2010.

The Directors are satisfied with the net current asset position of the Company at £3,621,395 (2010 £3,078,129) and its liquidity at the period end.

### GOING CONCERN

The financial statements have been prepared on a going concern basis. The statement headed "Going Concern" on page 9 sets out certain factors relevant to the directors' consideration in reaching this assessment.

### RESEARCH & DEVELOPMENT

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

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

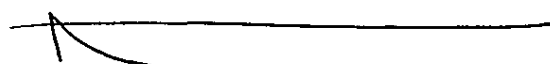
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.


### INDEPENDENT AUDITOR

Baker Tilly LLP resigned as auditors during the period.

Ernst & Young LLP were appointed as auditors during the period and have indicated their willingness to continue in office.

By order of the board



S Laurent  August 2012  
Director

# Photobox Limited

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Photobox Limited

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

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We have audited the financial statements of Photobox Limited for the 16 month period ended 30 April 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 April 2012 and of its profit for the period 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

# Photobox Limited

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

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

*Ernst & Young LLP*

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

*17/8/12*

# Photobox Limited

## PROFIT AND LOSS ACCOUNT

for the 16 month period ended 30 April 2012

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	<i>Notes</i>	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
TURNOVER	2	43,244,215	27,392,534
Cost of sales		(21,419,630)	(14,630,940)
GROSS PROFIT		<u>21,824,585</u>	<u>12,761,594</u>
Administrative expenses		(19,325,942)	(11,958,804)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS	3	<u>2,498,643</u>	<u>802,790</u>
Exceptional item	4	2,726,267	-
OPERATING PROFIT		<u>5,244,910</u>	<u>802,790</u>
Interest receivable and similar income	5	14,214	6,299
Interest payable and similar charges	6	(203,475)	(55,848)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>5,035,649</u>	<u>753,241</u>
Tax on profit on ordinary activities	8	(1,263,912)	(448,189)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u><u>3,771,737</u></u>	<u><u>305,052</u></u>

The turnover and operating result for the period arises from the Company's continuing operations

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

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents



# Photobox Limited

## BALANCE SHEET at 30 April 2012

Company Registration No 03906401

	<i>Notes</i>	30 April 2012 £	31 December 2010 £
<b>FIXED ASSETS</b>			
Intangible assets	9	1,158,221	973,223
Tangible assets	10	1,671,484	563,705
		<u>2,829,705</u>	<u>1,536,928</u>
<b>CURRENT ASSETS</b>			
Stocks	11	1,104,124	609,604
Debtors due within one year	12	5,029,544	2,477,353
Debtors due after more than one year	12	665,978	605,480
Cash at bank and in hand		8,034,316	8,409,014
		<u>14,833,962</u>	<u>12,101,451</u>
<b>CREDITORS</b> Amounts falling due within one year	13	(11,212,286)	(9,023,322)
<b>NET CURRENT ASSETS</b>		<u>3,621,676</u>	<u>3,078,129</u>
Provisions for liabilities and charges	14	(52,197)	(2,952,835)
<b>NET ASSETS</b>		<u>6,399,184</u>	<u>1,662,222</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	65,662	65,662
Share premium account	16	854,821	854,821
Profit and loss account	16	5,478,701	741,739
<b>TOTAL SHAREHOLDERS' FUNDS</b>	17	<u>6,399,184</u>	<u>1,662,222</u>

The financial statements on pages 7 to 21 were approved by the board of directors and authorised for issue on 17 August 2012 and are signed on its behalf by



**S Laurent**  
Director

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 April 2012

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### 1 ACCOUNTING POLICIES

#### a) BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards

#### b) STATEMENT OF CASH FLOW

The Company's ultimate parent company is Photobox Holdco Limited and therefore the Company's results are included in those consolidated financial statements, which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised)

#### c) 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

#### d) INTANGIBLE FIXED ASSETS

Intangible fixed assets are stated at historical cost. 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. In the case of a domain name, the useful economic life is considered to be 10 years. Other intangible assets are amortised over 3 years.

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

#### e) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical cost. 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
Fixtures, fittings and equipment	-	25%-33% per annum
Software development	-	3 years (commencing when the assets are complete and ready for use)

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

#### f) STOCKS

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.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 April 2012

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### g) DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

### h) 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.

The Company has considered and accrued for social security costs on the potential future benefit to employees of all unapproved equity-settled awards.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

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### i) 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

### j) FOREIGN CURRENCIES

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.

### k) 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.

### l) RESEARCH AND DEVELOPMENT

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

### m) TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods in the ordinary nature of the business. Turnover is shown net of Value Added Tax.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

### 2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The Company's turnover and pre-tax profit were all derived from its principal activity

	16 months ended 30 April 2012 %	Year ended 31 December 2010 %
Percentage of turnover to non-UK markets	7%	7%

### 3 OPERATING PROFIT

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
This is stated after charging/(crediting)		
Depreciation and amounts written off tangible fixed assets		
- owned assets	1,418,349	1,188,083
- leased assets	8,000	32,913
Amortisation of intangible fixed assets	61,526	48,698
Operating lease rentals		
- other	788,575	337,809
Auditor's remuneration		
- audit fees	30,000	30,000
- taxation services	10,000	5,000
Share based payment	965,225	748,950
Foreign exchange profit	(145,782)	(77,083)
Loss on disposal of tangible fixed assets	-	6,130

### 4 EXCEPTIONAL ITEMS

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
Release of provision	2,726,267	-

### 5 INTEREST RECEIVABLE AND SIMILAR INCOME

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
Bank interest	14,214	6,299

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

6	INTEREST PAYABLE AND SIMILAR CHARGES	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
	Finance leases	-	11,009
	Interest payable to group undertakings	203,475	44,839
		<u>203,475</u>	<u>55,848</u>

7	STAFF COSTS	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
	Wages and salaries	9,501,893	5,158,839
	Social security costs	807,933	624,719
	Pension costs	68,039	48,883
	Employee share schemes	965,225	748,950
		<u>11,343,090</u>	<u>6,581,391</u>

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

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
Administration	103	92
Production	87	67
	<u>190</u>	<u>159</u>

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	1,007,843	466,904
Pension costs	9,563	7,172
Health care costs	6,657	5,104
	<u>1,024,063</u>	<u>479,180</u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes was	1	1
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# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
The amounts in respect of the highest paid director are as follows		
Aggregate emoluments	810,668	309,071
Pension costs	9,563	7,172
Health care costs	2,952	2,285
	<u>823,183</u>	<u>318,528</u>
8 TAXATION	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
(a) Tax on profit on ordinary activities		
The tax credit is made up as follows		
Current tax		
UK corporation tax on profit for the period	1,167,247	560,362
Adjustment for prior periods	(8,444)	-
Total current tax	<u>1,158,803</u>	<u>560,362</u>
Deferred tax		
Origination and reversal of timing differences	28,966	(112,173)
Impact of change in tax rate	76,143	-
Total deferred tax	<u>105,109</u>	<u>(112,173)</u>
Tax on profit on ordinary activities	<u>1,263,912</u>	<u>448,189</u>
(b) Factors affecting current tax charge for the period		
	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
The tax assessed for the period differs from the standard rate of corporation tax in the UK of 26.2% (2010 28%). The differences are explained below		
Profit on ordinary activities before tax	5,035,649	753,241
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.2% (2010 28%)	<u>1,319,340</u>	<u>210,907</u>
Effects of		
Expenses not deductible for tax purposes	143,551	-
Capital allowances less than depreciation	59,379	138,657
Group relief	(618,000)	-
Share based payment charge	252,889	209,706
Other timing differences	10,088	1,092
Adjustments to tax charge in respect of previous years	(8,444)	-
Current tax for the period	<u>1,158,803</u>	<u>560,362</u>

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

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### 8 TAXATION (CONTINUED)

	16 months ended 30 April 2012 £	Year ended 31 December 2010 £
(c) Deferred tax asset		
At start of period	533,390	421,217
Charge in the period	(28,966)	112,173
Change in tax rate	(76,143)	-
At end of period	<u>428,281</u>	<u>533,390</u>
The deferred tax asset above is represented by		
Decelerated capital allowances	379,000	330,790
Other timing differences	49,281	202,600
	<u>428,281</u>	<u>533,390</u>

### FACTORS AFFECTING CURRENT AND FUTURE TAX CHARGES

During the period, as a result of changes in the UK main corporation tax rate to 26% that was substantively enacted on 29 March 2011 (effective from 1 April 2011) and to 25% that was substantively enacted on 5 July 2011 (effective from 1 April 2012), the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget. The changes which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2016. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements



# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

### 9 INTANGIBLE FIXED ASSETS

	Software development £	Domain names £	Other £	Total £
Cost				
1 January 2011	2,943,507	20,651	151,833	3,115,991
Additions	1,048,901	-	48,396	1,097,297
30 April 2012	3,992,408	20,651	200,229	4,213,288
Amortisation				
1 January 2011	2,040,818	12,218	89,732	2,142,768
Charge for period	850,773	2,754	58,772	912,299
30 April 2012	2,891,591	14,972	148,504	3,055,067
Net book value				
30 April 2012	1,100,817	5,679	51,725	1,158,221
31 December 2010	902,689	8,433	62,101	973,223

### 10 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures fittings and equipment £	Leasehold improvements £	Total £
Cost				
1 January 2011	1,670,912	1,153,942	293,522	3,118,376
Additions	643,961	237,117	802,277	1,683,355
30 April 2012	2,314,873	1,391,059	1,095,799	4,801,731
Depreciation				
1 January 2010	1,225,309	1,046,617	282,745	2,554,671
Charge for year	321,014	123,441	131,121	575,576
30 April 2012	1,546,323	1,170,058	413,866	3,130,247
Net book value				
30 April 2012	768,550	221,001	681,933	1,671,484
31 December 2010	445,603	107,325	10,777	563,705

The net book value of plant and machinery includes £nil (2010 £8,000) in respect of assets held under finance leases or hire purchase contracts

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

11	STOCKS	2012 £	2010 £
	Raw materials and consumables	1,104,124	609,604

12	DEBTORS	2012 £	2010 £
	Due within one year		
	Trade debtors	750,129	278,989
	Other debtors	-	45,549
	Corporation Tax	582,753	-
	Prepayments and accrued income	253,595	495,370
	Amounts owed by parent undertaking	-	43,292
	Amounts owed by other group undertakings	3,443,067	1,614,153
		<u>5,029,544</u>	<u>2,477,353</u>
	Due after more than one year		
	Other debtors	237,697	20,000
	Prepayments and accrued income	-	52,090
	Deferred tax (note 7)	428,281	533,390
		<u>665,978</u>	<u>605,480</u>

13	CREDITORS Amounts falling due within one year	2012 £	2010 £
	Obligations under finance leases	-	7,488
	Trade creditors	2,065,001	1,997,005
	Other creditors	144,292	-
	Corporation tax	-	300,439
	Other taxation and social security	376,484	905,834
	Accruals and deferred income	2,641,698	3,440,934
	Amounts owed to parent company	1,189,602	1,206,959
	Amounts owed to other group undertakings	4,795,209	1,164,663
		<u>11,212,286</u>	<u>9,023,322</u>

### 14 PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for warranties £	Provision for dilapidations £	Other provisions £	Total provisions £
At 1 January 2011	68,936	131,632	2,752,267	2,952,835
Addition to provisions	-	50,868	-	50,868
Use of provision in period	(54,239)	(86,149)	-	(140,388)
Release of provision	-	-	(2,726,267)	(2,726,267)
Other movements	-	(58,851)	(26,000)	(84,851)
At 30 April 2012	<u>14,697</u>	<u>37,500</u>	<u>-</u>	<u>52,197</u>

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

15	SHARE CAPITAL	2012 £	2010 £
	Authorised 50,000,000 ordinary shares of 0.5p each	250,000	250,000
	Allotted, issued and fully paid 13,132,300 ordinary shares of 0.5p each	65,662	65,662
16	STATEMENT OF MOVEMENT ON RESERVES		
		Share premium account £	Profit and loss account £
	At 1 January 2011	854,821	741,739
	Profit for the period	-	3,771,737
	Share based payment charge	-	965,225
	At 30 April 2012	854,821	5,478,701
17	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2012 £	2010 £
	Opening shareholders' funds	1,662,222	608,220
	Profit for the financial period	3,771,737	305,052
	Reserve credit for the share based payment charge	965,225	748,950
	Closing shareholders' funds	6,399,184	1,662,222

### 18 SHARE OPTIONS

Following a group reconstruction, the Group's ultimate parent company changed from Photoways, Inc to Photobox Holdco Limited. Up until 22 July 2011, all options were granted by the Photoways, Inc Board of Directors under the 2005 Stock Option and Grant Plan Photoways, Inc (together with various Amendments and Addendums). All options issued since 22 July 2011 have been granted under the Long Term Incentive Plan of Photobox Holdco Limited.

Except as determined at the sole discretion of the Board of Directors (of Photoways Inc for options granted prior to 22 July 2011, and Photobox Holdco Limited for options granted since 22 July 2011), the vesting period of the options starts on the 1<sup>st</sup> anniversary of the grant date (where 25% of the options vest), and continues with monthly vesting over a period of 36 months. The maximum term of an option is 10 years from the date the option is granted.

Following the reconstruction, all option holders, who had previously received options under the Photoways Inc 2005 Stock Option and Grant Plan, entered into a swap agreement whereby the options remain under the rules of Photoways Inc plan. However, upon exercise the holder receives an ordinary share in Photobox Holdco Limited rather than a share of common stock in Photoways, Inc. This change to the settlement of the option reflects a modification but does not result in any change in the fair value of the options originally issued under the 2005 plan.

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the period ended 30 April 2012

#### 18 SHARE OPTIONS (continued)

The following table illustrates the number of options granted, their vesting start and end dates, their exercise prices, movements during the period to 30 April 2012 and the numbers of share options remaining to vest at the end of April 2012

Tranche	Date of grant	Date of expiry	Options at 31/12/10	Grants in period	Forfeitures in period	Exercised	Options at 30/4/12	No of options exercisable at 30 April 2012	Exercise price
Plan 4	06/10/2006	05/10/2016	3,185,000	-	-	(500,438)	2,684,562	2,684,562	\$1 15
Plan 5 1	06/12/2006	05/12/2016	242,000	-	(1,000)	(100,000)	141,000	141,000	\$1 15
Plan 5 3	06/12/2006	05/12/2016	901,940	-	-	-	901,940	901,940	\$1 15
Plan 5 3 bis	06/12/2006	05/12/2016	342,334	-	-	-	342,334	342,334	\$1 15
Plan 7 2	23/05/2007	22/05/2017	2,000	-	(1,000)	-	1,000	1,000	\$1 15
Plan 8 3	19/12/2007	18/12/2017	209,000	-	(67,000)	-	142,000	142,000	\$1 39
Plan 10 2	26/01/2009	26/01/2019	140,000	-	(42,500)	(3,500)	94,000	77,764	\$1 39
Plan 10 4	03/09/2009	03/09/2019	144,000	-	(19,000)	-	125,000	80,612	\$1 39
Plan 11 1	17/02/2010	17/02/2020	152,000	-	-	-	152,000	82,310	\$1 39
Plan 11 3 - 3	25/03/2010	24/03/2020	2,655,822	-	-	-	2,655,822	1,383,231	\$1 39
Plan 11 4 - 2	23/09/2010	22/09/2020	38,000	-	-	-	38,000	15,030	\$1 39
Plan 11 4 - 3	23/09/2010	22/09/2020	380,000	-	-	-	380,000	150,412	\$1 39
Plan 12 3	10/02/2011	09/02/2021	-	177,000	(24,000)	-	153,000	44,612	\$1 39
Plan 12 4	10/02/2011	09/02/2021	-	250,000	-	-	250,000	72,916	\$1 39
Plan 12 7	20/09/2011	19/09/2021	-	400,000	-	-	400,000	-	£0 89
Plan 12 8	15/12/2011	14/12/2021	-	1,500,000	-	-	1,500,000	-	£0 89
Plan 13 1	02/02/2012	01/02/2022	-	48,000	-	-	48,000	-	£0 89
			<b>8,392,096</b>	<b>2,375,000</b>	<b>(154,500)</b>	<b>(603,938)</b>	<b>10,008,658</b>	<b>6,119,723</b>	

The transfers to share based payment reserve as per FRS 20 in relation to the grants of share options to Photobox Limited's part or full time officers, employees or directors for the 16 month period ended 30 April 2012 and year ended 2010 were £965,225 and £748,950 respectively

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 30 April 2012

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The following table lists the inputs used

Tranche	Grant date	Strike price	Risk free rate	Volatility	Expected life	Fair value
Plan 4	06/10/06	\$1 15	3 70%	56 77%	5 88	\$0 65
Plan 5 1	06/12/06	\$1 15	3 70%	56 77%	5 58	\$0 63
Plan 5 3	06/12/06	\$1 15	3 70%	56 77%	6 08	\$0 65
Plan 5 3 bis	06/12/06	\$1 15	3 70%	56 77%	6 08	\$0 65
Plan 7 2	23/05/07	\$1 15	4 50%	100 00%	6 00	\$0 93
Plan 8 3	18/12/07	\$1 39	4 50%	100 00%	6 00	\$1 12
Plan 10 2	26/01/09	\$1 39	2 50%	100 00%	6 08	\$1 11
Plan 10 4	03/09/09	\$1 39	2 10%	100 00%	6 08	\$1 11
Plan 11 1	17/02/10	\$1 39	1 93%	60 00%	6 08	\$0 79
Plan 11 3 - 3	25/03/10	\$1 39	1 83%	60 00%	6 08	\$0 79
Plan 11 4 - 2	23/09/10	\$1 39	1 27%	60 00%	6 08	\$0 78
Plan 11 4 - 3	23/09/10	\$1 39	1 27%	60 00%	6 08	\$0 78
Plan 12 3	10/02/11	\$1 39	2 80%	57 00%	6 00	\$0 77
Plan 12 4	10/02/11	\$1 39	2 80%	57 00%	6 00	\$0 77
Plan 12 7	20/09/2011	£0 89	1 3196%	57 00%	6 00	£0 45
Plan 12 8	15/12/2011	£0 89	1 0345%	57 00%	6 00	£0 45
Plan 13 1	02/02/2012	£0 89	1 0468%	57 00%	6 00	£0 45

# Photobox Limited

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2012

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### 19 COMMITMENTS UNDER OPERATING LEASES

At 30 April, the Company had annual commitments under non-cancellable leases as follows

	2012 £	2010 £
Plant and machinery		
expiring in the first year	-	1,565
expiring in the second to fifth year	5,963	2,891
	<u>5,963</u>	<u>4,456</u>
Land and buildings		
expiring in the first year	-	44,177
expiring in the second to fifth year	587,345	207,782
	<u>587,345</u>	<u>251,959</u>

### 20 CONTINGENT LIABILITIES

The Company has given a guarantee in respect of the bank borrowings of another group company, which amounted to £47,880,000 at 30 April 2012 (31 December 2010 £ nil)

### 21 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with other group companies which are wholly owned

### 22 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Photoways, Inc. In the directors' opinion, the Company's ultimate parent undertaking and controlling party is Photobox Holdco Limited which is incorporated in the UK. This is the smallest and largest group in whose financial statements the Company is consolidated. Copies of the group financial statements are available from 100 New Bridge Street, London, EC4V 6JA.