

Photobox Limited

REPORT AND FINANCIAL STATEMENTS

period ended
30 April 2014

TUESDAY



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COMPANIES HOUSE

Photobox Limited

DIRECTORS AND OFFICERS

DIRECTORS

S Laurent
MW Chapman
A Burns (appointed 29 October 2013)

SECRETARY

A Burns

REGISTERED OFFICE

Bridge House
63-65 North Wharf Road
London
W2 1LA

AUDITOR

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

Photobox Limited

STRATEGIC REPORT

REVIEW OF THE BUSINESS

Turnover has increased from £41,578,000 in the prior year to £50,602,000. The growth is primarily due to a successful, continuing campaign of new customer acquisition as well as focus on existing customer loyalty.

Gross margin percentage has improved year on year at 51% (2013: 50%). The Company intends to improve margins in the financial year ending 30 April 2015 through sales mix development, further economies of scale and production efficiencies.

The Company made a profit before tax for the year of £1,845,000 (2013: £1,786,000). The growth is primarily due to the factors discussed above. Profits are expected to further improve in the financial year ending 30 April 2015 due to improved gross margin, together with controlled growth of operating expenditure.

RESULTS

The profit for the period, after taxation, is £2,799,000 (2013: £2,162,000).

OPERATING REVIEW

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

	Year ended 30 April 2014	Year ended 30 April 2013
Turnover	£50,602,000	£41,578,000
Gross Profit	£25,906,000	£20,826,000
Gross Profit vs Turnover	51.2%	50.1%
Operating Profit before share based payments	£2,443,000	£2,641,000
Operating Profit before shared based payments vs Turnover	4.8%	6.4%

Turnover and margins are influenced by the mix of the products sold, the pricing strategy and production costs.

The Directors are satisfied with the net current asset position of the Company at £8,047,000 (2013: £6,027,000) and its liquidity at the period end.

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.

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.

Photobox Limited

STRATEGIC REPORT

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.

By order of the board



A Burns 24 July 2014
Director

Photobox Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 April 2014.

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.

DIVIDENDS

The directors do not recommend the payment of a dividend (2013: £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 10 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 on a straight line basis. All research and other development costs are written off as incurred.

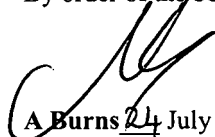
DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

By order of the board


A Burns 24 July 2014
Director

Photobox Limited

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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

We have audited the financial statements of Photobox Limited for the year ended 30 April 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 21. 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 5, 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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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 28/7/14

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

Photobox Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 April 2014

	<i>Notes</i>	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
TURNOVER	2	50,602	41,578
Cost of sales		(24,696)	(20,752)
GROSS PROFIT		<u>25,906</u>	<u>20,826</u>
Administrative expenses		(23,892)	(18,799)
OPERATING PROFIT	3	<u>2,014</u>	<u>2,027</u>
Interest receivable and similar income	4	302	46
Interest payable and similar charges	5	(471)	(287)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,845</u>	<u>1,786</u>
Tax credit on profit on ordinary activities	7	954	376
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u><u>2,799</u></u>	<u><u>2,162</u></u>

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

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

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

Photobox Limited

BALANCE SHEET

at 30 April 2014

Company Registration No. 03906401

	Notes	30 April 2014 £'000	30 April 2013 £'000
FIXED ASSETS			
Intangible assets	8	2,173	1,201
Tangible assets	9	2,570	2,218
		<u>4,743</u>	<u>3,419</u>
CURRENT ASSETS			
Stocks	10	1,466	1,495
Debtors due within one year	11	11,731	7,565
Debtors due after more than one year	11	1,706	751
Cash at bank and in hand		9,861	8,359
		<u>24,764</u>	<u>18,170</u>
CREDITORS: Amounts falling due within one year	12	(16,717)	(12,143)
NET CURRENT ASSETS		<u>8,047</u>	<u>6,027</u>
Provisions for liabilities and charges	13	(387)	(271)
NET ASSETS		<u>12,403</u>	<u>9,175</u>
CAPITAL AND RESERVES			
Called up share capital	14	65	65
Share premium account	15	855	855
Profit and loss account	15	11,483	8,255
TOTAL SHAREHOLDERS' FUNDS	16	<u>12,403</u>	<u>9,175</u>

The financial statements on pages 7 to 22 were approved by the board of directors and authorised for issue on 24 July 2014 and are signed on its behalf by:


A Burns
Director

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2014

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, including software development, are amortised over 3 years on a straight line basis.

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

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 year ended 30 April 2014

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.

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

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 on a straight line basis. 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. Where the Group acquires customers through a third party, the Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Where the Group holds the primary risks and rewards, the Group is deemed to be acting as the principal. Turnover 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 recognised as they are consumed. The unused part of the packs is posted to income after expiration.

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

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 30 April 2014 %	Year ended 30 April 2013 %
Percentage of turnover to non-UK markets	12%	9%

3 OPERATING PROFIT

This is stated after charging/(crediting):

Depreciation and amounts written off tangible fixed assets:

- owned assets	946	678
Amortisation of intangible fixed assets	765	835
Operating lease rentals:		
- other (including land and buildings)	587	720
Auditor's remuneration:		
- audit fees	40	40
- taxation services	81	104
Share based payment	429	614
Foreign exchange profit/(loss)	66	(171)
Loss on disposal of intangible and tangible fixed assets	14	-

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Bank interest	3	46
Interest receivable from group undertakings	299	-
	302	46

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Interest payable to group undertakings	471	287

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

6 STAFF COSTS

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Wages and salaries	10,337	8,404
Social security costs	944	719
Pension costs	82	68
Employee share schemes	429	614
	<u>11,792</u>	<u>9,805</u>

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

	Year ended 30 April 2014	Year ended 30 April 2013
Administration	180	123
Production	130	107
	<u>310</u>	<u>230</u>

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	555	394
Pension costs	8	7
Health care costs	7	6
	<u>570</u>	<u>407</u>
The number of directors to whom retirement benefits are accruing under money purchase pension schemes was:	1	1
The number of directors who exercised share options was:	-	-

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

6 STAFF COSTS (CONTINUED)

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
The amounts in respect of the highest paid director are as follows:		
Aggregate emoluments	420	314
Pension costs	8	7
Health care costs	3	3
	<u>431</u>	<u>324</u>

The highest paid director did not exercise share options during the years ended 30 April 2014 and 2013.

7 TAXATION

	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
(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	-	166
Overseas tax charge	119	-
Adjustment for prior periods	(166)	(455)
Total current tax	<u>(47)</u>	<u>(289)</u>
Deferred tax:		
Origination and reversal of timing differences	(1,110)	(105)
Impact of change in tax rate	203	18
Total deferred tax (credit)	<u>(907)</u>	<u>(87)</u>
Tax on profit on ordinary activities	<u>(954)</u>	<u>(376)</u>

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

7. TAXATION (CONTINUED)

(b) Factors affecting current tax charge for the year:	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
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The tax assessed for the period differs from the standard rate of corporation tax in the UK of 22.8% (2013: 23.9%). The differences are explained below:

Profit on ordinary activities before tax	1,845	1,786
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.8% (2013: 23.9%)	421	427
Effects of:		
Expenses not deductible for tax purposes	26	13
Capital allowances less than depreciation	(2)	155
Group relief	(486)	(517)
Overseas tax charge	119	-
Other timing differences	98	148
Research & development claim	(57)	(60)
Adjustments to tax charge in respect of previous years	(166)	(455)
Current tax (credit) for the year	(47)	(289)

(c) Deferred tax asset	Year ended 30 April 2014 £'000	Year ended 30 April 2013 £'000
At start of period	515	428
Credit in the year	1,110	87
Change in tax rate	(203)	-
At end of period	1,422	515

The deferred tax asset above is represented by:

Decelerated capital allowances	213	405
Deferred tax on share options	1,206	-
Other timing differences	3	110
	1,422	515

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2014

7 TAXATION (CONTINUED)

FACTORS AFFECTING CURRENT AND FUTURE TAX CHARGES

During the period, as a result of changes in the UK main corporation tax rate to 21% that was substantively enacted on 2 July 2013 (effective from 1 April 2014) the relevant deferred tax balances have been re-measured.

Further reductions to the UK corporation tax rate to reduce the rate to 20% on 1 April 2015 were also substantively enacted on 2 July 2013 therefore this reduction has been taken into consideration in the calculation of deferred tax.

The Company has calculated its deferred tax asset based on a UK tax rate of 20%.

8 INTANGIBLE FIXED ASSETS

	Software development £'000	Domain names £'000	Other £'000	Total £'000
Cost				
1 May 2013	4,362	30	264	4,656
Additions	1,704	18	29	1,751
Disposals	(24)	-	-	(24)
30 April 2014	6,042	48	293	6,383
Amortisation				
1 May 2013	3,250	17	188	3,455
Charge for year	717	4	44	765
Disposals	(10)	-	-	(10)
30 April 2014	3,957	21	232	4,210
Net book value				
30 April 2014	2,085	27	61	2,173
30 April 2013	1,112	13	76	1,201

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2014

9 TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures fittings and equipment £'000	Leasehold improvements £'000	Total £'000
Cost				
1 May 2013	3,100	1,591	1,336	6,027
Additions	608	241	449	1,298
30 April 2014	3,708	1,832	1,785	7,325
Depreciation				
1 May 2013	1,872	1,305	632	3,809
Charge for year	389	179	378	946
30 April 2014	2,261	1,484	1,010	4,755
Net book value 30 April 2014	1,447	348	775	2,570
30 April 2013	1,228	286	704	2,218

10 STOCKS

	2014 £'000	2013 £'000
Raw materials and consumables	1,466	1,495

11 DEBTORS

	2014 £'000	2013 £'000
Due within one year:		
Trade debtors	254	54
Other debtors	719	581
Corporation Tax	509	491
Prepayments and accrued income	629	608
Amounts owed by other group undertakings	9,620	5,831
	11,731	7,565
Due after more than one year:		
Other debtors	284	236
Deferred tax (note 7)	1,422	515
	1,706	751

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 April 2014

12	CREDITORS: Amounts falling due within one year	2014 £'000	2013 £'000
	Trade creditors	2,402	2,055
	Other creditors	191	157
	Other taxation and social security	472	360
	Accruals and deferred income	5,009	2,616
	Amounts owed to parent company	1,292	1,276
	Amounts owed to other group undertakings	7,351	5,679
		<u>16,717</u>	<u>12,143</u>

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for warranties £'000	Provision for dilapidations £'000	Other provisions £'000	Total provisions £'000
At 30 April 2013	15	107	149	271
Addition to provisions	15	30	235	280
Release of provision	(15)	-	(149)	(164)
At 30 April 2014	<u>15</u>	<u>137</u>	<u>235</u>	<u>387</u>

14	SHARE CAPITAL	2014 £'000	2013 £'000
	Authorised: 50,000,000 ordinary shares of 0.5p each	250	250
	Allotted, issued and fully paid: 13,132,300 ordinary shares of 0.5p each	<u>65</u>	<u>65</u>

15 STATEMENT OF MOVEMENT ON RESERVES

	Share premium account £'000	Profit and loss account £'000
At 30 April 2013	855	8,255
Profit for the year	-	2,799
Share based payment charge	-	429
At 30 April 2014	<u>855</u>	<u>11,483</u>

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

16	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	2014 £'000	2013 £'000
	Opening shareholders' funds	9,175	6,399
	Profit for the financial year	2,799	2,162
	Reserve credit for the share based payment charge	429	614
	Closing shareholders' funds	<u>12,403</u>	<u>9,175</u>

17 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 1st anniversary of the grant date (where 25% of the options vest), and continues with monthly vesting over a period of 36 months. The maximum term of an option is 10 years from the date the option is granted.

Following the reconstruction, all option holders, 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.

The following table illustrates the number of options granted, their vesting start and end dates, their exercise prices, movements during the year ended 30 April 2014 and the numbers of share options remaining to vest at the end of April 2014.

	Year ended 30 April 2014		Year ended 30 April 2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
At start of period	10,137,658	£0.81	10,008,658	£0.81
Granted	665,000	£1.02	250,000	£0.89
Forfeited	(154,875)	£0.86	(121,000)	£0.89
Exercised	(4,125)	£0.90	-	-
At end of period	<u>10,643,658</u>	<u>£0.84</u>	<u>10,137,658</u>	<u>£0.83</u>
Exercisable at end of period	<u>8,162,168</u>	<u>£0.82</u>	<u>7,666,799</u>	<u>£0.81</u>

The weighted average remaining contractual life for the share options outstanding at 30 April 2014 is 6.16 years (at 30 April 2013: 5.91 years).

The weighted average fair value of the options granted during the year was £0.62 (period ended 30 April 2013: £0.44).

Photobox Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 April 2014

18 SHARE OPTIONS (CONTINUED)

The following table lists the inputs used:

Grant date	Strike price	Risk free rate	Volatility	Expected life (years)	Fair value
Year ended 31.12.2006	\$1.15	3.70%	57%	5.58 - 6.08	\$0.63 to \$0.65
Year ended 31.12.2007	\$1.15 - \$1.39	4.50%	100%	6.00	\$0.93 to \$1.12
Year ended 31.12.2009	\$1.39	2.10% - 2.50%	100%	6.08	\$1.11
Year ended 31.12.2010	\$1.39	1.27% - 1.93%	60%	6.08	\$0.78 to \$0.79
Year ended 31.12.2011	\$1.39	2.80%	57%	6.00	\$0.77
Year ended 31.12.2011	£0.89	1.03% - 1.32%	57%	6.00	£0.45
4 months ended 30.4.2012	£0.89	1.05%	57%	6.00	£0.45
Year ended 30.4.2013	£0.89	0.69% - 0.78%	57%	6.00	£0.44 to £0.45
Year ended 30.4.2014	£0.89 to £1.39	0.78% - 1.94%	56%-57%	6.00	£0.44 to £0.89

The 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 grants of share options to Photobox Limited's part or full time officers, employees or directors for the year ended 30 April 2014 and the year ended 30 April 2013 were £429,000 and £614,000 respectively.

18 COMMITMENTS UNDER OPERATING LEASES

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

	2014 £'000	2013 £'000
Land and buildings:		
expiring in the first year	34	87
expiring in the second to fifth year	506	506
	<u>540</u>	<u>593</u>
Other:		
expiring in the first year	1	6
	<u>1</u>	<u>6</u>

19 CONTINGENT LIABILITIES

The company has given a guarantee in respect of the bank borrowings of another group company, which amounted to £29,027,000 at 30 April 2014 (2013 - £41,022,000). Subsequent to the year end, the bank borrowings have been fully repaid therefore the contingent liability no longer exists. A new banking facility has been entered into on which the Company has given a guarantee.

20 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.

Photobox Limited

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21 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.