Jessops plc
30 November 2005

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JESSOPS PLC

Preliminary Results

Jessops plc, the UK's No.1 specialist photographic retailer, announces its preliminary results for the year ended 30 September 2005.

Financial Highlights:

- Sales up 2.6% to £327.4m (2004: £319.0m); overall like for like sales down 0.4%
- Gross margin increased by one percentage point to 31.9% (2004: 30.9%)
- EBITA, before exceptional items and goodwill amortisation, down 8% at £18.0m (2004: £19.5m)
- Reported profit before tax of £5.9m (2004: £1.3m) and earnings per share of 2.3p (2004: loss per share of 3.1p)
- Proposed final dividend of 1.4p (2004: nil) making a total for the year of 2.1p (2004: nil)

Other Highlights:

- Total camera sales were up 6.9% by value, with digital cameras accounting for 88.7% of camera sales by value

- Strong growth in digital SLR cameras (up 124% by value) and digital Developing & Printing (D&P) (up 65% by value)

- Encouraging performance from new digital spacemix trial, which offers an enhanced digital photo printing service - trial expanded to 16 stores at the end of October
- Chris Langley, Chief Operating Officer, appointed to the Board with effect from 30 November 2005
- 16 new stores added in the year bringing the total as at 30 September 2005 to 278

Outlook and current trading

Derek Hine, Chief Executive of Jessops plc, said:

'Trading in the first two months of the current financial year is in line with expectations. Total like for like sales in the eight weeks to 27 November 2005 were down 1.2%, with store like for like sales down 3.6%.

Although we retain a cautious view of near term trading, Christmas is not historically as important for Jessops as it is for some other retailers. We are encouraged by the continued strong performance of digital SLR camera sales, by the growth we have achieved in the digital processing market and by the performance of our new format stores trial. Despite there being 10 months of our year ahead of us and greater uncertainties than ever on the High Street, given the changes we have made and will continue to make within the business, we are confident that we enter 2006 well placed to make the best of a difficult trading environment and take advantage of any upturn.'

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CHAIRMAN'S STATEMENT

We have just completed our first year as a listed company - and it has proved to be a challenging one. Nevertheless, in a turbulent period for both the British High Street and our market place, Jessops has produced a set of results which in the circumstances are creditable. The month of February saw a sudden downturn in the market, with the strong growth in digital camera sales we had previously enjoyed ceasing. As a result, we revised our expectation of profits for the year. As anticipated, we have seen a partial recovery in the growth of digital camera sales and today we are reporting profits in line with our revised expectation.

It is pleasing for me and my fellow non-executives to see how the executive management team, and indeed everyone within the business, has responded to these difficult trading conditions. The team focussed on driving through margin improvements in the second half, making the most of Jessops' unique market position, strong supplier relationships and the better quality operational information that resulted from earlier investments in improved IT systems.

Sales in 2005 were 2.6% ahead of the previous year at £327 million and although EBITA of £18.0 million was 8% below last year's pre-exceptional figure, 2005 was still the second most profitable year in Jessops' history. The Board is recommending the payment of a final dividend of 1.4 pence per share, representing a total of 2.1 pence for the year. If approved, the dividend will be paid on 27 January 2006 to shareholders on the register on 23 December 2005.

The year also saw the appointment of Robin Whitbread to the Board as a non-executive director and I am pleased to announce today the further strengthening of the senior executive team with the appointment of Chris Langley to the Board with effect from 30 November 2005. Chris joined Jessops in February 2005 as Chief Operating Officer. He brings extensive and relevant hands-on experience to Jessops, having worked for 20 years at Dixons Stores Group, including nearly four years as Managing Director of the Dixons' fascia stores.

Jessops heads towards 2006 in good shape, having responded decisively to the challenges we have faced and used the experience to tighten up aspects of our business. Household penetration levels for digital cameras at around 50% are still a long way below those achieved by analogue cameras. Strong growth continues to be a feature of the digital SLR market, where we have an unrivalled competitive position. Digital photo processing, where we have one of the leading offers in the market, is also showing rapid growth and is set to overtake analogue processing in the market within the coming year. Looking ahead, we are taking a cautious view of trading conditions going into this Christmas and believe that it will be the latter part of next year before we see a return to positive like for like sales growth. In summary, despite the caution referred to above, we remain positive about the fundamental strength of the business.

Gavin Simonds
Chairman

CHIEF EXECUTIVE'S REVIEW

Sales were up 2.6% and despite the difficult retail environment, total like for like sales were down just 0.4%. Therefore in comparison to many other retailers, Jessops performance in 2005 looks relatively solid.

We started the financial year strongly, with double digit total sales growth and a 6.4% increase in like for like sales in the first quarter. This was in stark contrast to the conditions that faced us in our second quarter, when the growth in sales of digital cameras dried up completely in February. The speed with which the market turned left us little room to respond in the short term. It also led us to reconsider our expectations for the year as a whole.

Although we have seen some recovery in the market during the second half, particularly during the fourth quarter, like for like sales growth did not return. It has therefore been down to the actions taken within the business to drive margin improvements in the second
half that have enabled us to meet our revised profit targets for the year.

Sales increases hard won

Reflecting the downturn in consumer spending, overall like for like sales for Jessops were down 0.4% and total sales were up 2.6% for the year ended 30 September 2005.

	Year ended 30 Sept 05 % change
Total sales	+ 2.6%
Store like for like sales	(0.9)%
Direct like for like sales*	+ 8.9%
Total like for like sales	(0.4)%

* Internet, mail order and tele sales

Total camera sales were up 6.9% by value, with digital cameras accounting for 88.7% of camera sales by value. Within this we continue to see strong growth in digital SLR cameras, where our reputation for unbiased advice, high levels of customer service and value for money are particularly important to customers. SLR sales were up 124% by value for the year, with Jessops' share of the SLR section of the digital camera market remaining above 30%.

The market for digital compact cameras, as predicted, became more competitive during 2005, as they continued their move towards a mass market consumer product. The average price of a compact camera sold in the UK was £158 in the year to September 2005, 12.2% below last year's level. Despite unit volume growth of 11.2% in the number of digital compact cameras sold by Jessops in the year, our value market share declined slightly in the period to 15.8% at September 2005. In response to this, and as part of our strategy to strengthen our competitive position at the compact end of the market, we significantly increased the number of exclusive product deals we offered in the year. Further exclusive deals are planned for the coming year and we believe these will help to support both our margin and our market share at the more competitive end of the digital camera market.

Sales of accessories, camcorders and other photographic hardware were broadly flat year on year at £137 million, with a 6.5% increase in camcorder sales offsetting declines in accessories and other photographic hardware sales. These declines reflected the generally tougher trading conditions, but also the continuing shift from traditional to digital related products, particularly for accessories. Our increased focus on camcorders in the period produced a welcome uplift in our camcorder market share to 12.7% in September 2005, although the market for camcorders overall remained tough.

Driving the business

In response to the lower levels of general sales activity, during the second half we focussed on driving the business hard, and a number of initiatives were implemented to improve margins. Gross margins for the full year improved by approximately one percentage point compared to 2004. These initiatives included working more closely with our suppliers and an increased focus on exclusive merchandise deals.

A number of these initiatives were greatly assisted by the improved management controls and information flows that resulted from the investments made in 2004 and 2005 to upgrade the Group's warehousing and distribution arrangements and the continued roll-out of our new computer system and EPOS software.

Real momentum in digital printing

As previously highlighted, the increased household penetration of digital cameras is driving significant change in the Developing & Printing (D&P) market, as it too moves from film to digital printing. Total D&P sales were down 7.6% year on year, but this masks the significant growth of digital, up 65% by value year on year.

Jessops has been at the forefront of in-store digital printing with 179 digital minilabs, capable of both analogue and digital printing and 70 instant digital kiosks installed in stores across the country. Every Jessops store also has at least one digital kiosk, which allows customers to download and manipulate their digital images and send them to the in store minilabs or wholesale developers for processing.

Our reputation as a photo specialist and our early move into digital D&P has helped us secure a significant share of this growing market. We reached a major milestone in D&P in August, when first time digital print processing exceeded traditional film processing. Our digital printing service exceeded two million digital prints per week by the end of the financial year and in the Autumn peak reached a weekly record of 2.5 million prints in October.

Digital spacemix trial

In response to this growing digital D&P opportunity and to maximise our own growth potential in this area, we commenced a new digital spacemix trial in six Jessops stores in August. Building on the knowledge gained from our photoexpress stores, these new trial stores are divided into four clear zones comprising a digital photo centre, camera hardware, an extended accessories range and customer service point. These stores offer an increased number of digital processing kiosks (up from two to seven), which are all prominently located at the front of the store. They also have a clearly identified member of staff who is a digital photo 'expert' to assist customers in getting the most out of the new technology. The initial results were encouraging and the trial was extended at the end of October to 16 stores. The enlarged trial continues to be encouraging.

New store openings

Our store opening programme continued throughout the year, although the pace of new openings was moderated in the second half to take account of the more difficult trading conditions. We ended the financial year with 16 additional stores, bringing the total number
of stores at the end of September 2005 to 278.

People

Many of our 3,000 colleagues have only known the buoyant retail conditions that the UK has enjoyed over the past decade and so the trading conditions of 2005 were new territory. It is therefore with some pride that I take this opportunity to thank all our colleagues, on behalf of our shareholders, for the way they responded to these new challenges. Jessops' reputation stands and falls on the performance of our people in our stores and across the company. In 2005 they have yet again been a credit to the business.

As evidence of this, we were delighted once again to receive Practical Photography Magazine's and Digital Photo Magazine's award for 'Best Photo Retailer of the Year' for 2005 in November, the 10th year in succession that we have received this award. Also in November their readers voted us 'Best Photo Processor of the Year' for 2005, the third year running we have received this award. Both are recognition of the importance we place on customer service.

Senior management changes

In addition to the appointment of Robin Whitbread to the Board as a non-executive director in May, we have also made a number of other appointments at Board and senior management level that further strengthen the executive management team.

Chris Langley joined Jessops in February 2005 as Chief Operating Officer. He has already made a significant contribution to the business since his arrival and I am delighted that he has agreed to join the Board with effect from 30 November. At the same time, we also welcome Nick Molyneux to the Board in his capacity as the newly appointed Group Company Secretary.

Beyond the Board, three further appointments have been made to the executive management team. Mike Giddings joined Jessops in April as Corporate Finance Director, responsible for the day to day management of the finance function. Mike is a chartered accountant and joined from a career at KPMG, where he specialised in retail and consumer markets, initially in audit and for the past three years in transaction services. In July, Peter Riordan joined the company as Property Director from Dixons Stores Group where he was Group Store Development Director. Peter has worked in the retail sector over the past 30 years gaining a vast amount of experience in both operations and store proposition development. Finally, Andy Hannan joined Jessops in August 2005 as Buying Director from Index, part of the Littlewoods business, where he was Trading Director. Andy brings over 15 years of buying and merchandising experience and has held various Senior Buying and Merchandising roles at Argos, Great Universal Stores and Otto UK.

Market fundamentals remain positive

Away from the near term trading challenges facing UK retailers, we remain positive about the fundamental strength of the business.

In D&P, the switch from analogue to digital continues apace and forecasters are predicting that the overall photo printing market will return to growth in 2006 as digital printing overtakes traditional analogue film processing. Our early move into digital D&P, offering the full range of online, in store and home printing solutions has helped us secure a significant share of this fast growing market.

Whilst competitive pressure is increasing, our strong market position as the UK camera specialist gives us good leverage with major camera manufacturers and we are increasingly able to work with them to offer exclusive merchandise deals. We are also continuing to see strong growth in the digital SLR camera segment, where the benefits of our specialist knowledge and our reputation for impartial advice gives Jessops a competitive advantage.

Household penetration of digital cameras remains relatively low, at around 50%, compared with 83% for analogue. Moreover, the continued pace of technological innovation and ongoing price deflation are driving the camera replacement cycle, which is significantly more active than that experienced for analogue cameras.

Outlook and current trading

Trading in the first two months of the current financial year is in line with expectations. Total like for like sales in the eight weeks to 27 November 2005 were down 1.2%, with store like for like sales down 3.6%.

We are not anticipating any like for like sales growth during the first quarter, particularly given that we are trading against last year's strong comparatives. Against this, we expect the first half will benefit from the gross margin improvements achieved during the last financial year.

Although we retain a cautious view of near term trading, Christmas is not historically as important for Jessops as it is for some other retailers. We are encouraged by the continued strong performance of digital SLR camera sales, by the growth we have achieved in the digital processing market and by the performance of our new format stores trial. Despite there being ten months of our year ahead of us and greater uncertainties than ever on the High Street, given the changes that we have made and will continue to make within the business, we are confident that we will enter 2006 well placed to make the best of a difficult trading environment and take advantage of any upturn.

Derek Hine
Chief Executive

FINANCIAL REVIEW

Turnover

Jessops' turnover increased by 2.6% to £327.4 million in the year ended 30 September 2005 (2004: £319.0 million). This increase was principally the result of increased demand for digital photo imaging products, and in particular digital SLR cameras, and additional sales from new stores, which was partially offset by a small decline in like for like sales.

Jessops' store network generated approximately 91.2% of the Group's turnover in 2005. The remainder was generated by direct sales with the internet sites providing strong growth, and the business to business and wholesaling activities.

Consumers' growing awareness of digital imaging and lower prices of cameras has attracted more purchasers of digital cameras and Jessop's digital camera sales were up 13%. This in turn drives demand for and consumption of digital-related accessories, hardware and printing services. Against this, the increased demand for digital photographic products has principally been at the expense of analogue cameras, accessories (particularly film) and film developing and processing.

The growth in digital cameras was particularly strong in the digital SLR market where sales were up 124% by value. This growth was driven by more manufacturers entering the digital SLR market, providing the consumer with a wider range of products at competitive price points. Strong growth was also evident in digital D&P, up 65% year on year, as consumers are slowly becoming aware of the convenience, quality and competitive pricing available in all Jessops' stores.

Additionally, as a result of the pace of technological change in digital imaging, replacement cycles of digital cameras are more frequent than those experienced with analogue cameras.

Price deflation has also been an enduring feature of the market, with particular price points only being maintained by the addition of new features to products. Lower prices for digital cameras have drawn new retailers into the market, a development that has, and may continue to, put pressure on product margins at the lower end of the price
spectrum.

Turnover	FY 2005 £million	FY2004 £million
Cameras	159.8	149.5
Photographic accessories	81.2	82.3
Developing and printing	30.1	32.6
Camcorders	31.2	29.3
Other photographic hardware	25.1	25.3
Total Turnover	327.4	319.0

On a store like for like basis, turnover decreased by 0.9% (Like for like sales information is a comparison of stores sales in consecutive financial years, with new stores being included in the calculation after a trading period of at least 12 months and excluding stores closed in the relevant period).

Turnover through the direct consumer channel, primarily the internet, grew 8.9% on a like for like basis, resulting in an overall like for like decrease of 0.4% for the Group.

Product mix and margins

Product margins vary widely within and across product categories. As a general matter, however, accessories and D&P enjoy higher margins than hardware (including cameras and camcorders).

Gross margin in 2005 at 31.9% was one percentage point higher than 2004 levels reflecting a number of initiatives implemented in the second half including the sourcing of higher quantities of exclusive product and the operating efficiencies provided by the completion of the rollout of the new store EPOS system.

Operating expenses pre-exceptionals and goodwill amortisation increased by 9.5% to £86.5 million in 2005 from £79.0 million in 2004. This increase was principally the effect of new store openings and increased minilab charges, as nearly all new stores are fitted out with minilabs. Staff costs have risen in line with the increased staffing requirements of the store expansion programme and have increased as a percentage of sales from 11.7% to 12.1%. Occupancy costs have increased from 6.3% of sales to 7.2% as rental increases continued to rise above inflation levels and new stores were opened in more prime locations.

EBITA before exceptional items decreased by 8.0% to £18.0 million in 2005 from £19.5 million in 2004. This decrease was principally the result of a decrease in like for like sales, partially offset by the one percentage point improvement in the gross margin.

Reflecting the more difficult trading environment experienced in 2005, EBITA margins (before exceptional items) declined from 6.1% to 5.5%.

Jessops' turnover and operating profits demonstrate a semi-annual peak in December as a result of the Christmas shopping season and again in the summer period as customers purchase cameras, memory cards and film for their summer holidays and subsequently have their images developed. The different mix of products bought in each of the peaks contributes to slightly higher margins in July and August as compared to December and January. In 2005, however, the summer margin peak was enhanced by the initiatives to improve margin, which were introduced in the second half of the year.

Additionally, as a result of Jessops' ongoing store expansion strategy, turnover in the second half of any given year generally exceeds turnover in the first half as a greater number of stores are trading overall.

Exceptional items

Exceptional items in 2005 amounted to £3.9 million compared to £2.4 million in 2004. The 2005 exceptional item relates solely to the write off of the unamortised deferred finance costs which arose following the repayment of the existing loan notes and bank loans
post flotation. The 2004 exceptional items included £1.8 million in connection with relocating the warehouse facilities and costs associated with outsourcing distribution operations, £0.2 million in expenses relating to an aborted potential acquisition and £0.4 million of costs relating to advertising that had to be cancelled due to the flotation.

Amortisation

Most of Jessops' amortisation charge results from the purchased goodwill arising from the Secondary Buy-out in October 2002. Amortisation in 2005 was £4.2 million in line with the charge reflected in the 2004 accounts.

Interest charges

Jessops' interest payable was £3.6 million in 2005 compared to £11.4 million in 2004. The reduction reflects the repayment of debt following the company's flotation in November 2004.

Taxation

The tax charge for the year amounted to £3.6 million (2004: £2.4 million) on pre-amortisation profit before tax of £10.1 million (2004: £5.5 million.) The pre-exceptional effective rate of tax for 2005 is 33.8% (2004: 36.8%).

Profit for the financial period

Jessops' recorded a profit after interest, exceptionals, tax and dividends in 2005 of £0.1 million. The increase of £1.2 million from 2004 was principally the result of the effects of a lower level of interest partially offset by a lower pre-exceptional EBITA.

Earnings per share

Basic earnings per share improved to 2.3p (2004: loss of 3.1p) and adjusted basic earnings per share decreased to 9.5p (2004: 13.5p). Adjusted earnings per share excludes goodwill amortisation and exceptional items (net of tax). The changes reflect the increased profit for the financial period described above (principally due to a lower level of interest), offset by the increased number of shares in issue in the year following flotation.

Dividends

The first interim dividend equating to 0.7p per share was paid in July 2005 in respect of the 6 months ending March 2005. It is envisaged that a final dividend equating to 1.4p per share, in respect of the 12 months ending September 2005 will be paid on 27 January 2006 to shareholders on the register on 23 December 2005.

Cash flows

Cash flows from operating activities amounted to £13.4 million in 2005 compared to £21.0 million in 2004. The decrease in 2005 was principally a result of more difficult trading conditions, and an increase in stock. The higher stock reflects the increased number of
stores in the period and also reflects higher levels of exclusive product deals entered into towards the period end. The timing of these deals has resulted in higher creditors in the period.

Capital expenditure

The principal use of cash during the period has been capital expenditure incurred in relation to the new store openings, together with the ongoing development and rollout of our new computer system and EPOS software. In the coming year, plans are in place for the continued rollout of the store expansion programme, refurbishment of existing stores and the installation of additional D &P Kiosks.

Financial structure

At 30 September 2005, Jessops' total net debt was £39.2 million (2004: £122.3 million).

The company has a £5 million overdraft facility in place and an agreement with HSBC for a new amortising term loan facility and revolving credit facility in an aggregate amount of £53 million. Of this, £33 million relates to the amortising loan facility and £20 million relates to the revolving credit facility.

The company has hedged its exposure to interest rate fluctuations by entering an agreement which covered in excess of 70% of the senior facility. The instrument caps the floating rate (before margin) at 5.00% and has a minimum floating rate of 4.02%.

Pensions

Jessops operates a defined benefit pension scheme ('The Jessop Group Limited Pension and Life Assurance Scheme'), which was closed to new members in January 1997. The latest full actuarial valuation was carried out on 1 June 2004 and was updated for FRS17 purposes at 30 September 2005 by a qualified independent actuary. The actuarial valuation as at 1 June 2004 recommended that contributions continue at £90,000 per month.

Under the FRS17 valuation the pension deficit decreased from £10.6 million in

2004 to £10.1 million at the end of September 2005. The Group has decided to increase the monthly contribution from £90,000 a month to £130,000 a month. It is estimated that this will result in the deficit being fully funded within 13 years.

Jessops also has a defined contribution scheme ('The Jessop Group Limited Money Purchase Pension Scheme') into which it contributes between 1% and 6% of salary depending on the employee's age and length of service. This scheme is provided by Norwich Union and is compliant with stakeholder requirements. Employees may join after nine months with the Group provided they contribute at least 1% of their salary (which is then matched by the Group).

International Financial Reporting Standards

As required by European Union legislation, the Group will first publish a report under IFRS for the 6 months ending 2 April 2006 and financial statements for the 12 months ending 30 September 2006.

IFRS implementation will have an impact on the presentation of the Group's results although it should be noted that it will have no impact upon the Company's trading or its cash flow. The principal differences are expected to arise in goodwill amortisation, share based payments, property leases, and deferred taxation.

John Crabtree
Group Finance Director

Consolidated profit and loss account
for the year to 30 September 2005

	2005 Profit	2005 Exceptional	2005 Total	2004 Profit	2004 Exceptional	2004 Total

	Before exceptional items £000	Items £000	£000	Before exceptional items £000	Items £000	£000
Turnover	327,381	-	327,381	319,011	-	319,011
Cost of sales	(222,884)	-	(222,884)	(220,490)	-	(220,490)
Gross profit	104,497	-	104,497	98,521	-	98,521
Operating expenses	(90,738)	-	(90,738)	(83,195)	(2,400)	(85,595)
EBITDA	23,590	-	23,590	23,807	(2,400)	21,407
Depreciation	(5,616)	-	(5,616)	(4,268)	-	(4,268)
EBITA	17,974	-	17,974	19,539	(2,400)	17,139
Amortisation	(4,215)	-	(4,215)	(4,213)	-	(4,213)
Operating profit	13,759	-	13,759	15,326	(2,400)	12,926
Interest payable and similar charges	(3,573)	(3,920)	(7,493)	(11,384)	-	(11,384)
Other finance costs	(414)	-	(414)	(266)	-	(266)
Profit / (loss) on ordinary activities before taxation	9,772	(3,920)	5,852	3,676	(2,400)	1,276

Taxation on profit / (loss) on ordinary activities	(4,722)	1,080	(3,642)	(2,903)	505	(2,398)
Profit / (loss) on ordinary activities after taxation	5,050	(2,840)	2,210	773	(1,895)	(1,122)
Dividends	(2,160)	-	(2,160)	-	-	-
Retained profit / (loss) for the financial period	2,890	(2,840)	50	773	(1,895)	(1,122)
Basic earnings / (loss) per ordinary share			2.3p			(3.1)p
Diluted earnings / (loss) per ordinary share			2.3p			(3.0)p
Adjusted basic earnings per ordinary share			9.5p			13.5p
Adjusted						

diluted per ordinary share	9.5p	13.3p

All activities relate to continuing operations.

Consolidated statement of total recognised gains and losses
for the period ended 30 September 2005

	2005 £000	2004 £000
Retained profit / (loss) for the financial year	2,210	(1,122)
Actuarial gain / (loss) recognised in the pension scheme	516	(3,200)
Deferred tax on actuarial (gain) / loss	(155)	960
Deferred tax on current year pension charge	2	(50)
Total recognised gain/(loss) for the period	2,573	(3,412)

Consolidated balance sheet
as at 30 September 2005

	2005 £000	2004 £000
Fixed assets		
Intangible assets	73,043	77,241
Tangible assets	40,973	36,277
	114,016	113,518

Current assets		
Stocks	56,429	42,428
Debtors	11,450	10,540
Cash at bank and in hand	4,809	10,730
	72,688	63,698
Creditors: amounts falling due within one year	(65,813)	(56,524)
Net current assets	6,875	7,174
Total assets less current liabilities	120,891	120,692
Creditors: amounts falling due after more than one year	(28,537)	(119,722)
Provisions for liabilities and charges	(1,979)	(1,394)
Net assets excluding pension liabilities	90,375	(424)
Pension liabilities	(7,087)	(7,444)
Net liabilities including pension liabilities	83,288	(7,868)
Capital and reserves		
Called up share capital	2,571	197
Share premium account	89,161	792
Profit and loss account	(8,444)	(8,857)
Equity shareholders' funds	83,288	(7,868)

Consolidated cash flow statement
for the year ended 30 September 2005

	2005 £000	2004 £000
Net cash flow from operating activities	13,420	20,960
Returns on investments and servicing of finance	(16,176)	(4,245)
Taxation	(2,722)	(615)
Capital expenditure	(9,999)	(10,425)
Dividends	(720)	-
Financing	8,776	(3,313)
(Decrease) / Increase in cash in period	(7,421)	2,362

Reconciliation of net cash flow to movement in net debt
for the year ended 30 September 2005

	2005 £000	2004 £000
(Decrease)/increase in cash in period	(7,421)	2,362
Capital elements of HP payments	9	14
Loan and loan note repayments	129,955	3,300
Cash inflow from new loans and loan notes	(34,541)	-
Change in net debt resulting from cash flows	88,002	5,676
B preference shares	-	(1,291)

Interest rolled up on loan notes	(688)	(6,436)
Other interest	(75)	(201)
Net movement on loan fees	(4,045)	(492)
New HP agreement	(148)	-
Conversion of loan notes to shares	-	227
	83,046	(2,517)
Net debt at start of year	(122,295)	(119,778)
Net debt at end of year	(39,249)	(122,295)

Notes to the accounts
for the year ended 30 September 2005

1. Basis of preparation

The preliminary financial information has been prepared on the basis of the accounting policies set out in the 2004 Annual Report and Accounts.

The company's directors approved the financial information set out above during a meeting held on 28 November 2005.

The Financial information set out above does not constitute the company's statutory accounts for the years ended 30 September 2005 or 2004. The financial information for 2004 is derived from the statutory accounts for the period ended 30 September 2004 which have been delivered to the registrar of companies. The auditors have reported on the 2004 accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 30 September 2005 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies following the Company's Annual General Meeting to be held on 27 January 2006.

2. Segmental reporting

Turnover represents the total amount (excluding VAT) receivable by the group from sales to external customers.

Turnover and operating profit relate wholly to the retail of photo-imaging products and services. Therefore, this represents the only class of business.

An analysis of turnover by geographical area of destination is as follows:

	Turnover	
	2005	2004
	£000	£000
United Kingdom	324,882	317,503
Europe	2,342	1,303
Rest of the World	157	205
	327,381	319,011

An analysis of turnover, operating profit / (loss) and net assets by geographical area of origin is as follows:

	Turnover		Operating profit / (loss)		Net assets	
	2005	2004	2005	2004	2005	2004
	£000	£000	£000	£000	£000	£000
United Kingdom	326,194	319,011	14,145	12,926	83,674	(7,868)
Europe	1,187	-	(386)	-	(386)	-

327,381	319,011	13,759	12,926	83,288	(7,868)

An analysis of turnover by product type and service is as follows:

	2005 £000	2004 £000
Cameras	159,817	149,510
Developing & Printing	30,106	32,588
Camcorders	31,172	29,259
Photographic accessories	81,212	82,301
Other photographic hardware	25,074	25,353
	327,381	319,011

3. Interest payable and similar charges

	2005 £000	2004 £000
Interest payable on bank loans and overdrafts	2,760	4,384
Other interest payable	688	6,522
Amortisation of issue expenses	125	478
	3,573	11,384
Exceptional amortisation of issue expenses (see note 11)	3,920	-
	7,493	11,384

4. Other finance costs

	2005	2004

	£000	£000
Expected return on pension scheme assets	(876)	(742)
Interest on pension scheme liability	1,290	1,008
	414	266

5. Taxation

UK corporation tax	2005	2004
	£000	£000
Current tax on income for the period	2,393	1,780
Adjustments in respect of prior periods	-	843
Total current tax charge / (credit)	2,393	2,623
Deferred tax for the period arising from the origination and reversal of timing differences	934	318
Deferred tax adjustments in respect of prior periods	315	(543)
Tax on profit on ordinary activities	3,642	2,398

Factors affecting the tax charge for the current period:

	2005	2004
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before taxation	5,852	1,276
Current tax at 30% (2004: 30%)	1,756	383
Effects of:		
Capital allowances for the period in excess of depreciation	(770)	(572)
Other timing differences	(383)	254

Depreciation and amortisation on assets not qualifying for capital allowances	1,572	1,546
Other non-tax deductible expenditure	218	169
Adjustments in respect of prior years	-	843
Total current tax charge	2,393	2,623

6. Earnings per share

Basic earnings / (loss) per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares for the period prior to flotation on 3 November 2004 has been adjusted to reflect bonus issues and share reclassifications in accordance with FRS 14 (Earnings per share).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to reflect the issue of potentially dilutive ordinary shares. This includes warrants and share options granted to employees where the exercise price is less than the average market price.

Weighted average numbers of shares:

	2005 000	2004 000
Weighted average number of shares in issue during the period	97,129	36,713
Impact of warrants and share options	60	816
Diluted weighted average number of shares in issue during the period	97,189	37,529

In addition to basic earnings / (loss) per ordinary share, an additional adjusted earnings per share has been provided which excludes goodwill amortisation, and exceptional items (net of tax). The earnings used for the basic and additional calculations are shown below:

	2005 £000	2004 £000
Profit / (loss) on ordinary activities after taxation	2,210	(1,122)
Exceptional operating costs (net of tax)	-	1,895
Exceptional interest charge (net of tax)	2,840	-
Amortisation of goodwill	4,199	4,200
Profit after taxation excluding exceptional items and amortisation of goodwill	9,249	4,973

7. Reconciliation of operating profit to net cash inflow from operating activities

	2005 £000	2004 £000
Operating profit	13,759	12,926
Depreciation and amortisation	9,831	8,481
(Profit) / loss on disposal of fixed assets	(227)	684
Increase in stock	(14,001)	(1,271)
Increase in debtors	(910)	(828)
Increase in creditors	6,040	1,406
Decrease in provisions	(664)	(6)
Pension contributions in excess of charge	(408)	(432)
Net cash flow from operating activities	13,420	20,960

8. Analysis of cash flows for headings netted in the cash flow statement

	2005 £000	2004 £000
Returns on investments & servicing of Finance		
Interest paid	(15,717)	(4,245)
Issue costs in respect of new bank loans	(459)	-
	(16,176)	(4,245)
Taxation		
Corporation tax	(2,722)	(615)
Capital expenditure		
Intangible fixed assets acquired	(17)	(2)
Tangible fixed assets acquired	(10,810)	(10,423)
Proceeds from sale of fixed assets	828	-
	(9,999)	(10,425)
Financing		
Loan notes repaid	(56,558)	-
Bank loans repaid	(60,400)	(3,300)
New bank loans	35,000	-
New shares issued	96,828	1
Expenses in relation to issue of new shares	(6,085)	-
Capital element of finance leases	(9)	(14)
	8,776	(3,313)

9. Analysis of net debt

	At 1	Cashflow	Other non cash	At 30

	October 2004		changes	September 2005
	£000	£000	£000	£000
Cash at bank and in hand	10,730	(5,921)		4,809
Bank overdraft	(8,500)	(1,500)		(10,000)
	-------	-------	-------	--------
	2,230	(7,421)		(5,191)
Debt due within one year	(4,800)	2,800	(3,500)	(5,500)
Debt due after one year	(118,431)	92,614	(1,308)	(27,125)
B Preference shares	(1,291)	-	-	(1,291)
Hire purchase creditor	(3)	9	(148)	(142)
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Net debt	(122,295)	88,002	(4,956)	(39,249)
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Non-cash changes relate to the interest accrued on both loan notes and other loans rolled up into the creditor, amortisation of capitalised issue costs and new hire purchase agreement started in the year.

10. Reconciliation of movements in shareholders' funds

	2005	2004
	£000	£000
Profit / (loss) for the financial year	50	(1,122)
	-------	--------
Net additions to shareholders funds	50	(1,122)
Actuarial gain / (loss) recognised in pension scheme	516	(3,200)
Deferred tax arising on actuarial (gain) / loss in pension scheme	(155)	960
Deferred tax on current year pension charge	2	(50)
New share capital issued (net of issue costs)	90,743	228
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Net movement in shareholders' funds	91,156	(3,184)
Opening shareholders' funds	(7,868)	(4,684)
Closing shareholders' funds	83,288	(7,868)

11. Exceptional items

On flotation, the loan notes and existing bank loans were repaid in full. The unamortised deferred finance costs of £3,920,000 relating to these borrowings were therefore written off.

In the year ended 30 September 2004, exceptional items were:

(i) distribution costs of £1,770,000 relating to the closure of the Distribution Centre

(ii) administrative expenses of £630,000 comprising £156,000 in respect of aborted acquisition costs of a photographic business and £474,000 in respect of the summer advertising campaign aborted because of the planned flotation.