PayPoint plc
Preliminary results
Year ended 31 March 2016

HIGHLIGHTS

	Year ended 31 March 2016	Year ended 31 March 2015	Change
Revenue	**£212.6m**	£218.5m	(2.7%)
Net revenue[1]	**£123.6m**	£123.1m	0.4%
Gross margin	**49.9%**	48.1%	1.8ppts
Adjusted operating profit[2]	**£50.1m**	£49.5m	1.2%
Profit before tax	**£8.2m**	£49.6m	(83.6%)
Adjusted earnings per share[3]	**58.4p**	57.4p	1.9%
Ordinary dividend per share	**42.4p**	38.5p	10.1%
Disposal proceeds dividend per share	**21.0p**	-	-

Continued progress in our strategic priorities
- Success in MultiPay, our multi-channel payment solution, with 7 contracted, including our first Big 6 energy client
- PayPoint One - next generation point-of-sale terminal, has now entered commercial trials
- Sale of the online payments business in January 2016 for £14.4 million in cash
- Negotiations for sale of the mobile payments business continue but impairment of £30.8 million recorded in absence of sale
- Discussions continue with Yodel on Collect+, with reduced profitability from temporary cost increases
- Special annual dividend of £25 million, one third from December 2016, two thirds in July 2017

Operating highlights
- Retail services transactions grew by 17.8% to 140.0 million
- Romanian bill payments up by 12.7% to 60.2 million
- Total retail network sites increased to 39,000, with over 10,000 sites in Romania
- Profit before tax £8.2 million after £42 million impairment net of profit on sale of Online

Financial highlights
- Net revenue up 1.9% in retail networks
- Adjusted operating profit before impairment and profit on disposal grew by 1.2%
- Increase in adjusted diluted earnings per share by 1.9% to 58.4p
- Final dividend increased to 28.2p, a total ordinary dividend for the year of 42.4p, an increase of 10.1%
- Online payments business sale gross proceeds distribution 21.0p, payable with the final dividend

Enquiries

PayPoint plc *(telephone: 01707 600 317)*
Dominic Taylor, Chief Executive
George Earle, Finance Director

Finsbury *(telephone: 0207 2513 801)*
Rollo Head
Andy Parnis

A presentation for analysts is being held at 11.45am today (26 May 2016) at Finsbury Group, Tenter House, 45 Moorfields London EC2Y 9AE. This announcement is available on the PayPoint plc website: www.paypoint.com

[1] Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These other costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone.
[2] Adjusted operating profit excludes impairments of £49.0 million and profit on disposal of the online payments business of £7.0 million and includes our share of joint venture results.
[3] Adjusted earnings per share excludes impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million.

Net revenue, adjusted operating profit and adjusted earnings per share are measures the directors believe will assist with a better understanding of the underlying performance of the group.

CHAIRMAN'S STATEMENT

I am pleased to report on a year of substantial change in the business. Following our decision last year to dispose of our mobile and online payment businesses, the executive team have begun the process of simplifying structures, reviewing ways to improve efficiency, adopting values that will help address our service to retailers and improving engagement generally across the business.

We have concluded our review of the Company strategy, which recognises the importance of our retail networks and our non-cash payment channels. We are engaged in putting the retailer at the heart of our service offering, improving our response times to retailers and the quality of our service. Our new terminal, PayPoint One, now entering commercial trials, will help us to gain a more central role in independent and symbol group retailers, providing them with our payments and services solution and a retail electronic point of sale system in one device, PayPoint One. We have developed our MultiPay product, now performing well with our pilot client, Utilita. MultiPay is in the process of being sold to others. It is important that we reach agreement with our fellow shareholder in Collect+ and this remains a priority for this year.

We have made changes to the board following the departures of Eric Anstee and Stephen Rowley, the contributions from whom since joining the board in 2008 are greatly appreciated. We wish them well. During the year, we are pleased to have found two experienced non-executives in Gill Barr and Giles Kerr. Gill brings a wealth of experience in marketing and Giles, a seasoned finance director, is chair of our Audit Committee. This has strengthened our board, but conscious not to make too many changes in the context of much change in the business, we have decided to defer further appointments until the annual general meeting in 2017, when David Morrison will retire. This means we are not able to meet the minimum number of independent non-executive directors until then.

Following our decision to sell the mobile and online payments businesses, we have reviewed our capital requirements and allocation. Focussing on multi-channel payments where we have retail networks, simplifies our business and reduces the capital headroom we require. Given the high level of current changes in the business, we are adopting a cautious approach to the return of capital and plan to release the surplus over a period of five years at £25 million per annum. We will continue with a progressive dividend policy. It is our current intention not to borrow more than one times our earnings before interest, taxes, depreciation and amortisation. The first special dividend is planned for December this year. If there is a potential acquisition which offers better returns, we may defer the special dividend as appropriate. In addition, we will distribute the sale proceeds from the sale of online payments business, together with the final dividend from the year under review. We also intend to distribute sale proceeds from the mobile payments business once the sale is completed.

Whilst we are still in transition, we are confident about our strategy, excited by the prospects for PayPoint One and MultiPay and will continue to drive value from the business for our shareholders.

Nick Wiles
Chairman
26 May 2016

CHIEF EXECUTIVE'S REVIEW

Review

We have made good progress in what has been a challenging year. Our businesses have performed credibly, with growth in the UK being driven primarily through our developing retail services. I am confident that delivery of new products, in particular our next generation terminal and our MultiPay platform, will provide the basis of continuing future growth in payments and services.

Retail services in the UK and our Romanian business performed well, offset by sluggish results in prepaid energy (warmer weather, lower energy prices and slower prepayment meter roll out) and the continued decline of mobile top-ups. Revenue decline in the online payments business and its inclusion for only part of the year until its sale on 8 January 2016 were offset by growth in revenue in the mobile payments business. These factors led to relatively low growth in adjusted operating profits[1] of 1.2%, further exacerbated by the adverse VAT ruling, in dispute with HMRC, which cost £2 million in the year under review.

PayPoint serves millions of consumers in its day to day business operations working on behalf of leading consumer organisations in the UK and Romania. At the heart of our capability are our unique national retail networks, unrivalled in their coverage, access and convenience. Whether part of a major chain or individual shopkeepers, retailers are the lifeblood of our business and it is fundamental to our success, that we serve them well, delivering services that help to underpin the profitability of their businesses and the service they provide to their local communities. We have been working hard to engage with the retail community and we are developing a new retail pledge to reinforce this commitment. It will take determination and time to show retailers that we are committed to improving the relationships.

The refocusing of our business has allowed us to streamline the organisation by reintegrating group and UK retail management. We have established a new Executive Board and have set out clear values and cultural commitments across all company activities. We have also been taking the opportunity to review our business processes to improve our responsiveness to retailers and our efficiency. As an example, we have been able to reduce the lead-time for on-boarding new agents by 40%. We expect to deliver further process efficiency gains as the review continues.

Product development

There has been substantial service progress during the year particularly in respect of two new flagship developments – our ground-breaking new terminal and MultiPay, our market leading multi-channel payment system for smart metering and general billing.

PayPoint One

After over 12 years of success with our current terminal, our next generation point-of-sale terminal, named PayPoint One, which will provide everything needed to run in-store technology within one compact device, is currently in commercial trials. The new terminal is based on cloud-enabled Android tablet technology, which transforms the flexibility and ease of use of the device. It has a full range of connectivity options including broadband, WiFi, Bluetooth and beacon.

Above all, as well as providing a technologically advanced platform for PayPoint's payments and services, the app capability of Android will allow us to introduce new added value functionality, Electronic Point-of-Sale (EPoS, retail till systems). This will enable retailers to use PayPoint One for product and price scanning, replacing their tills, and later to run their full back office stock control and replenishment. EPoS will become our latest retail service offer building on the existing successful portfolio of ATMs, card payments, Western Union, parcels and SIM card sales.

MultiPay

MultiPay, has been in development and introduced with encouraging early success. The service combines payments in-store with web, app, IVR and SMS payments. Our pilot client, Utilita is growing very strongly and is proving our strategic intent to serve customers with a balance of retail and digital payments, currently in a 70:30 ratio. Utilita's growth has been based on a particular prepay specialism which is taking share from the Big 6.

---

[1] Adjusted operating profit excludes impairments of £49.0 million and the profit on disposal of Online of £7.0 million and is a measure which the directors believe assists with a better understanding of the underlying performance of the group

We have also signed several smaller energy companies and a framework agreement with Procurement for Housing, which should also serve smaller clients. We have now secured our first Big 6 energy client for MultiPay, in Scottish & Southern Energy, the UK's number two by size which will go live in the next few months. We are also pursuing further Big 6 success and already have an agreement with nPower to support smart meter code generation.

The roll out of smart meters will provide householders with up to date information on their usage and provide alternative ways for them to pay. This is a government mandated programme, which is expected to gain pace later this year once the new central Data Communications Company goes live. However, it is still subject to uncertainty as to its pace, phasing of the rollout and therefore its impact on prepayment customers. With MultiPay, PayPoint is well placed to address the market however it moves forward.

Romania

PayPoint Romania continues to lead the market in retail bill payments and has made good progress in establishing retail services to complement the core payments capability. Our Western Union partnership has performed strongly as has the sale of road tax permits. We continue to build one of Romania's strongest financial brands.

We completed the sale of our online payments business in January 2016 and are in the process of selling our mobile payments business. Given that the sale is not yet achieved, we have written down its carrying value by £30.8 million. We have also been in long running discussions with our joint venture partners, Yodel, about the future structure of Collect+, which we had hoped to conclude by now. To encourage discussions we temporarily agreed to allow Yodel to charge more for its carrier services to Collect+ and this has caused it to make a small loss. We are positive about our prospects with such strong products and platforms in our armoury and look to achieve further MultiPay sales success and to roll out PayPoint One to thousands of retailers this year.

Strategy

Our mission is to be the market leader in providing multi-channel payments and retail services to major consumer organisations and retailers, delivered through innovative technology and first class service. We are proud of our good reputation, which underpins our contractual relationships with service companies and retailers in both the UK and Romania.

We believe there is substantial opportunity for sustainable growth in revenues from products and services to our convenience retailers and introducing new capabilities that will help them grow their businesses profitably. For example, the decline of the high street and growth in online retailing leaves community based convenience stores in a strong position to complement online service delivery. This is illustrated by our success in our parcel service where goods are ordered online but collected and returned in local stores.

The proportion of retail service based revenues relative to traditional payments will continue to increase and there will be some displacement from cash to digital payments through MultiPay. We have a proven track record of innovation and differentiation in our retail networks, where we have clear market leadership and generate strong returns on capital from our investments.

The payments capability of PayPoint continues to be fundamental to our differentiation and success. PayPoint has had particular strength in cash payments and cash has been and continues to be extremely resilient and is used by millions of consumers for their essential services. PayPoint has grown payment volumes strongly throughout two decades, in which cash has gradually declined as a proportion of all payments.

Nonetheless, cash usage is in slow but long term decline. To address online and cashless payment growth, we have developed solutions for multi-channel payment systems for non-retail and card and contactless payments in-store, as sources of future growth. We will continue to extend in-store card payments functionality, currently in over 10,000 shops in which contactless payment growth is particularly strong. We will also use MultiPay to establish a strong position in digital payments for smart meters and other payments to complement our unique strength in cash, enabling us to benefit across the board.

Our new tighter retail focus has allowed us to reshape the business enabling us to restructure from a group approach to an integrated one, with renewed emphasis on retail innovation and momentum in pushing forward our new retail technology.

We will be driving our new solutions to provide the platform for deeper integration into retail store operations and the introduction of further added value applications and services, notably through EPoS.

In so doing, we will leverage our scale and capability and further extend our geographic footprint, potentially into new countries as well, although international prospecting will be of lower priority in the immediate future. This is in addition to growing our existing retail services portfolio that has performed well over many years, including ATMs, card payments, Western Union, parcels and SIM card sales. In this context, we need to reach a mutually satisfactory resolution with Yodel regarding Collect+.

In summary, we are committed to developing the business through our retail network and our strong relationships with our clients. In so doing, we can look forward to continuing growth in earnings per share and a progressive dividend policy alongside returning excess capital over a five year period.

Dominic Taylor
Chief Executive
26 May 2016

KEY PERFORMANCE INDICATORS

In order to realise its strategic aims, PayPoint has identified areas of strategic focus and records a number of KPIs to measure progress against them. Whilst these KPIs are helpful in measuring the group's performance, they are not exhaustive and the group uses many other measures to monitor progress.

Strategic focus	KPI	Description	2016	2015
Shareholder return	Earnings per share (adjusted[1])	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the year (including the impact of shares which are likely to be issued under share schemes).	**58.4p**	57.4p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the year.	**42.4p**	38.5p
	Economic profit	Adjusted operating profit[1] (including our share of joint venture results) after tax and a charge for capital employed, excluding cash, based upon the group's cost of capital.	**£32.8 million**	£31.3 million
Growth	Retail networks transactions	Number of transactions processed in the year on our terminals, ATMs and on our retailers' EPoS systems.	**668.2 million**	667.3 million
	Mobile and Online transactions	Number of transactions processed in the year by Mobile and Online.	**150.5 million**	145.3 million
	Transaction value	The value of transactions processed via our terminals, retailers' EPoS systems, online merchants, ATMs, mobile payments and the sale of other retail services.	**£14.0 billion**	£14.8 billion
	Net revenue	Revenue less: commissions paid to retail agents; the cost of mobile top-ups and SIM cards where PayPoint is principal; acquiring bank charges and call centre costs recharged to clients.	**£123.6 million**	£123.1 million
	Operating margin	Adjusted operating profit[1] including our share of joint venture results, as a percentage of net revenue.	**40.5%**	40.2%
Asset optimisation	Return on capital employed	Adjusted operating profit[1] for the year divided by average month end capital employed (net assets including assets held for sale and excluding cash).	**70.4%**	63.6%
	Growth / (decline) in retail networks yield per site	Growth / (decline) in net revenue from retail networks divided by the average number of sites in the year.	**(2.9%)**	4.3%
People	Labour turnover	Number of permanent employees who left during the year divided by average total permanent employees	**33%**	22%

[1] Adjusted earnings per share and adjusted operating profit exclude the impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million

REVIEW OF BUSINESS

The review of business presented includes highlights on page 1, the Chairman's statement on page 2 and the Chief Executive's review on pages 3 to 5.

PayPoint processes consumer transactions and as such, has only one operating segment. However, we include an analysis of the number and value of consumer transactions, revenue and net revenue by product and an analysis of our networks to help to explain our performance and strategy execution.

Growth opportunities include: the roll out of our new terminal PayPoint One, which includes an EPoS application, provision of single solution, multi-channel payments and services to new and existing clients; the extension of services in each payment channel across our existing and prospective clients, new and existing client development and retail services in the UK and Romanian retail networks; the expansion of these retail networks; and once Collect+ negotiations complete, parcels. There are also opportunities to extend our services into other countries.

The channel and product analysis is as follows:

Retail payments and services:
Bill and general (prepaid energy, bills and cash out services)
Top-ups (mobile, e-money vouchers, prepaid debit cards and lottery)
Retail services (ATM, payment card, parcels, money transfer, SIMs, broadband, receipt advertising, charges for failed direct debits and paper invoicing)
Collect+ parcels service

In addition, fees for early settlement, development and set up are attributed to the client, to which they are billed and included above in the relevant categories.

Mobile and Online:
Parking, permits, tolling, ticketing, bicycle rental transactions, consumer transactions with merchants, pre-authorisations, optimisation of authorisations, FraudGuard, where separately charged and real time management reporting.

OPERATING REVIEW

		Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions	‘000	**818,700**	812,668	0.7
Transaction value	£000	**14,041,737**	14,756,476	(4.8)
Revenue	£000	**212,556**	218,495	(2.7)
Net revenue[1]	£000	**123,633**	123,131	0.4

Transactions increased to 818.7 million (2015: 812.7 million), up 0.1% in the retail networks and 3.6% in Mobile and Online. Excluding transactions from the online payments business for the year ended 2015 and 2016, which was sold on 8 January 2016, transactions increased by 1.8% year on year.

Transaction value decreased to £14.0 billion (2015: £14.8 billion), up 2.1% in the Retail Payments and Services (retail networks) but down 20.2% in Mobile and Online, mainly attributable to only owning Online for nine months of the current year.

Revenue has decreased to £212.6 million (2015: £218.5 million), down 2.5% in the retail networks and down 4.9% in Mobile and Online. Revenue decline is lower than transaction value decline due to higher transaction growth in some larger merchants in our online business who benefit from lower pricing and from charges to newer parking clients, which are lower than those to existing clients. When excluding the online payments business transactions for the year ended 2015 and 2016, revenue decreased by 1.5%.

Net revenue has increased to £123.6 million (2015: £123.1 million), up 1.9% in the retail networks but down 10.7% in Mobile and Online. Net revenue growth is better than the revenue decline in retail networks, as the commission payable to retail agents has fallen as the group has adjusted the share of commission with its retailers in response to competitor rates. Excluding net revenue for the online payments business for the year ended 2015 and 2016, net revenue grew by 2.9%.

Adjusted operating profit[2], including our share of Collect+, was £50.1 million (2015: £49.5 million), an increase of 1.2%.

[1] Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone clients

[2] Adjusted operating profit excludes the impairments of £49.0 million and the profit on the disposal of the online payments business of £7.0 million.

Bill and general

		Year ended 31 March 2016	Year ended 31 March 2015	(Decrease)/ increase %
Transactions	'000	**449,170**	459,018	(2.1)
Transaction value	£000	**8,557,707**	8,485,736	0.8
Revenue	£000	**85,770**	89,229	(3.9)
Net revenue[1]	£000	**59,480**	58,954	0.9

Bill and general transactions were lower than the previous year by 2.1%. UK and Irish bill and general transactions were down 4.1% due to lower energy transactions. An apparent decrease in consumption, together with the effect of higher average transaction values on prepaid energy transactions and lower energy prices exceeded the impact of meter growth. Although not material in the year under review, the multi-channel payment solution, MultiPay continues to grow strongly and sales to further clients have been agreed, including our first big six energy client. MultiPay is also attracting interest from other sectors. The Romanian bill payment transactions grew year on year by 12.7%, where we processed 60.2 million transactions (2015: 53.5 million). The growth was the result of increasing market share, which in March for clients we serve was 21.8% (2015: 20.0%), new clients and road tax payments.

Growth in net revenue of 0.9% contrasts with the decline in revenue, helped by changes to our retail terms in response to competitor rates.

Top-ups

		Year ended 31 March 2016	Year ended 31 March 2015	Decrease %
Transactions	'000	**79,041**	89,482	(11.7)
Transaction value	£000	**767,376**	821,049	(6.5)
Revenue	£000	**63,325**	69,978	(9.5)
Net revenue[1]	£000	**20,885**	23,154	(9.8)

Top-up transactions decreased from last year as a result of the continued decline in mobile top-up volumes in the UK and Ireland of 12.9%. The reduction in UK and Irish mobile top-up transactions was only partly offset by an increase in other top-up transactions and Romanian mobile top-ups.

The reduction in top-up transaction value was lower than that of transaction numbers as the average value of mobile top-ups increased. This also helped mitigate the reduction in net revenue, along with the increase in other top-ups.

[1] Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone clients.

Retail services

		Year ended 31 March 2016	Year ended 31 March 2015	Increase %
Transactions	'000	**139,965**	118,849	17.8
Transaction value	£000	**1,065,739**	874,449	21.9
Revenue	£000	**47,301**	42,294	11.8
Net revenue[1]	£000	**30,299**	26,507	14.3

Retail services transaction volume has increased across all products. ATM transactions increased by 22.1%, payment card transactions by 17.4%, money transfer transactions by 25.7% and parcels by 10.1% over last year.

Higher average ATM transaction and money transfer values have driven an increase in total transaction value in excess of the increase in transaction volume.

Revenue growth is lower than transaction growth due to a greater proportion of the mix of non-surcharge ATM machines in the estate and the impact of tiered pricing for increased transaction volumes. Strong net revenue growth of 14.3% was driven by the increases in parcels, ATM transactions, payment card and money transfer.

Collect+
PayPoint has a 50% equity interest in Drop and Collect Limited, trading as Collect+, a 50:50 joint venture with Yodel. PayPoint does not consolidate the results of the joint venture but does include its share of the profit or loss of the joint venture in its consolidated income statement, after group operating profit.

Collect+ at 100%		Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions	'000	**20,690**	18,799	10.1
Revenue	£000	**49,588**	46,059	7.7
Loss / (profit)	£000	**(448)**	2,634	(117.0)

Collect+ is the market leading proposition for third party Click and Collect services and its parcel returns activity also continues to grow strongly. Within the consumer send market, there continues to be substantial price competition and consequently the Collect+ management team has focussed on developing Click & Collect and returns.

Following Yodel's proposed increase in charges to Collect+ we have continued to discuss the future of Collect+. A temporary increase in Yodel's charges, during these negotiations, has resulted in the reported loss.

[1] Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone clients.

Mobile and Online

		Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
Transactions	'000	**150,525**	145,319	3.6
Transaction value	£000	**3,650,915**	4,575,242	(20.2)
Revenue	£000	**16,160**	16,994	(4.9)
Net revenue[1]	£000	**12,968**	14,516	(10.7)

The year ended 31 March 2016 includes the mobile payments business for 12 months and the online payments business for the period up to its disposal on 8 January 2016. The previous year includes both businesses for 12 months.

Transactions increased by 3.6% with parking transactions of 51.3 million up 29.8% and online payment processing transactions of 99.2 million down 6.2%.

We have continued to add parking contracts with councils and parking authorities, as we provide them with a more convenient and cost effective method for collecting parking charges. The business has fully rolled out the parking payment services in Paris during the year. A contract has been signed to service a number of London underground car parks as part of a Transport for London initiative, whilst local authorities such as Brighton and Manchester have significantly reduced the use of pay & display machines.

Overall revenues decreased by 4.9% and net revenues by 10.7%. Online decreased by 33.5% including the impact of its inclusion for only part of the year for both revenue and net revenue. Revenue in Mobile increased by 23.6% and net revenue by 21.4%, reflecting the significant increase in transaction volumes referred to above as the business continues to win new clients and increase its penetration into existing clients across all regions, most notably in France where parking transactions increased by 155%.

The assets of the mobile payments business are shown as assets held for sale within current assets on the statement of financial position for the year ended 31 March 2016 and together with those of the online payments business for year ended 31 March 2015. Further detail can be found in note 8.

In view of this uncertainty surrounding the sale process, we have recorded an impairment of £30.8 million, reflecting our current best estimate of the recoverable amount of these businesses. Consolidated net assets in Mobile remain at £1.7 million, in addition to a deficit on translation reserves of £2.0 million, which will be recognised through the profit and loss account on the sale of Mobile.

[1] Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PayByPhone clients.

Network growth

Analysis of sites / internet merchants	Year ended 31 March 2016	Year ended 31 March 2015	Increase/ (decrease) %
UK & Ireland terminal sites	**29,087**	28,307	2.8
Romania terminal sites	**10,141**	9,234	9.8
Total terminal sites	**39,228**	37,541	4.5
Internet merchants	**-**	4,662	(100.0)
Collect+ sites	**5,936**	5,831	1.8

Terminal sites overall have increased by 4.5% to 39,228

In the UK and Ireland, site numbers have expanded by 780, an increase of 2.8%. We provide payment card capability, including the functionality for retailers to accept convenient contactless card transactions in 10,111 sites (2015: 9,816 sites). During the year, we continued to roll out our PPoS integrated solution to retailers, which combines a virtual terminal (our software on the retailer's till system) with a plug in reader, to provide the service at lower cost across all till lanes. As well as enhancing our service to retailers, this allows us to redeploy terminals for use in Romania. In addition to these 8,101 PPoS solutions (2015: 7,498 PPoS), there were 12,245 broadband enabled terminals (which offer a faster service than PSTN enabled terminals for transactions where the terminal has to contact the client's host) at 31 March 2016 (2015: 10,689 broadband terminals).

In Romania, we increased the number of terminal sites by 907 in the year, an increase of 9.8%.

There are no internet merchants at 31 March 2016 because the online payments business was disposed on 8 January 2016.

We increased the number of sites offering our Collect+ parcels service in the year by 105, bringing the total to 5,936 sites. Site growth has been constrained during the discussion of the future of Collect+ with Yodel.

FINANCIAL REVIEW

Income statement

Revenue for the year was £212.6 million (2015: £218.5 million). Cost of sales reduced to £106.5 million (2015: £113.4 million). The cost of mobile top-ups in Ireland and Romania[1] has fallen to £28.1 million (2015: £29.5 million). Retailers' commission decreased to £57.7 million (2015: £63.3 million) as mobile top-ups which attract high retail commission declined and the group has adjusted the share of commission with its retailers in response to competitor rates. Gross profit margin improved to 49.9% (2015: 48.1%) mainly as a consequence of the reduction in cost of sales.

Net revenue[2] of £123.6 million (2015: £123.1 million) was slightly ahead of last year from the growth in bill payment and retail services offset by a reduction in mobile parking and in the current year nine months of revenue from the online payments business.

Operating costs (administrative expenses) decreased 0.9% to £55.7 million (2015: £56.9 million) reflecting:

- an increase in costs of £2.0 million driven by the HMRC ruling,
- one off restructuring costs incurred in the first half to gain efficiencies between group and our retail businesses; offset by
- cost savings in the second half as a result of the restructure; and
- the sale of the online payments business in the second half.

Excluding Mobile and Online, net revenue increased 1.9% to £110.7 million, other cost of sales decreased 1% to £16.0 million, administrative expenses remained the same at £41.9 million and operating profit, excluding our share of the Collect+ results rose 4.3% to £52.8 million.

Our share of the loss in our parcels joint venture, Collect+, was £0.2 million (2015: profit of £1.3 million). We continue to discuss with Yodel the future of the joint venture as a result of the proposed increases in charges put forward by Yodel. A portion of these charges have been allowed pending the outcome of these discussions, which has caused the adverse impact on profitability in Collect+.

Adjusted operating margin[3] rose to 40.5% (2015: 40.2%) as a consequence of the performance of the retail networks.

Profit before tax was £8.2 million (2015: £49.6 million), which includes a £49.0 million impairment in Mobile (£30.8 million) and Online (£18.2 million) and a profit on disposal of the online payments business of £7.0 million. The tax charge of £10.2 million (2015: £10.4 million) represents an adjusted[4] effective tax rate of 20.5% (2015: 21.0%). The reduction in tax rate reflects the decrease in the UK corporate tax rate in the current year, which would have been larger but for the recognition of a reduction in the deferred tax assets on finalisation of prior year tax returns.

Statement of financial position

Net assets of £87.9 million (2015: £115.3 million) includes £1.7 million of net assets for the mobile payments business which have been classified as assets held for sale (note 8). The group net assets reflect a strong financial position, including cash of £80.8 million (including cash held for settlement of obligations to our clients (client cash) of £21.5 million in the UK, £8.6 million in Romania but excluding £2.4 million in Mobile payments, which is reported within assets held for sale) higher than £43.9 million (including client cash of £3.8 million in the UK and £10.1 million in Romania and including £3.3 million in Mobile and Online) at 31 March 2015. The final dividend, subject to shareholder approval, together with the proceeds of sale of the online payments business, will absorb £33.5 million and is payable in July.

---

[1] In Ireland and Romania, PayPoint is principal in the sale of mobile top-ups and, accordingly, the face value of the top-up is included in sales and the corresponding costs in cost of sales.

[2] Net revenue is revenue less the cost of mobile top-ups (where PayPoint is principal), SIM cards and other costs incurred by PayPoint, which are recharged to clients and merchants. These other costs include retail agent commission, card payment merchant service charges and costs for the provision of call centres for PaybyPhone clients.

[3] Adjusted operating profit excludes the impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million and including our share of joint venture results as a percentage of net revenue.

[4] Adjusted effective tax rate is the tax cost as a percentage of the operating profit excluding the impairments of £49.0 million and the profit on disposal of online payments business of £7.0 million and including our share of joint venture results.

Cash flow
Cash generated by operations was £69.0 million (2015: £53.6 million), reflecting strong conversion of profit to cash. Corporation tax of £9.9 million (2015: £8.6 million) was paid. Capital expenditure of £8.2 million (2015: £10.1 million) comprised expenditure on IT infrastructure, developments for new products and terminals. The amount paid for the acquisition of Adaptis in the year was £nil million (2015: £0.2 million). Share incentive schemes settled in cash absorbed £0.6 million (2015: £2.9 million). Equity dividends paid were £27.4 million (2015: £24.7 million).

Economic profit
PayPoint's own measure of economic profit (defined as operating profit excluding impairment and profit on disposal, less tax and a nominal capital charge of 10%) was £32.8 million (2015: £31.3 million), an increase of 4.7%.

Dividend
We propose to pay a final dividend of 28.2p per share on 29 July 2016 (2015: 26.1p) to shareholders on the register on 1 July 2016, subject to the approval of the shareholders at the annual general meeting, together with 21.0p per share representing the gross proceeds of the sale of Online. An interim dividend of 14.2p (2015: 12.4p) was paid on 17 December 2015, making a total ordinary dividend for the year of 42.4p per share (2015: 38.5p), up 10.1%.

Liquidity and going concern
PayPoint's business activities, together with factors likely to affect its future development and performance, are described, in the Chief Executive's review on pages 3 to 5. Principal risks and uncertainties are described on pages 16 and 17.

The group has cash of £80.8 million, excluding £2.4 million of cash in Mobile which is shown in assets held for sale, and has an undrawn £45.0 million revolving term credit facility expiring in May 2019. Cash includes amounts held to settle short term client settlement obligations, which at the year end, amounted to £21.5 million in the UK (2015: £3.8 million) and £8.6 million in Romania (2015: £10.1 million). The final dividend, if approved by shareholders together with the dividend of the sale proceeds of online payments business, will absorb £33.5 million of the cash balance. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group including the special dividends, taking account of risks (pages 16 and 17). The financial statements have, therefore, been prepared on a going concern basis.

Viability statement
The directors have assessed PayPoint's viability over a three year period to March 2019.

The group's plan has been tested for severe, but plausible, downside scenarios. These include the loss of a major client, the bankruptcy of a major retailer, a slower take up of new products in the market than anticipated, the level of technical advancement increasing driving an increase in capital expenditure, a delay in the launch of new products and the interruption in business processes or systems and the cessation of the parcels business. The assessment has considered the potential impacts of these risks on the business model, future performance, mitigating actions that may be required, solvency and liquidity over the period. The directors have taken into account the group's robust balance sheet and its financial covenant headroom during the period of assessment including planned distributions.

The directors have a reasonable expectation that the group remains viable over the period of the assessment. This conclusion takes into account the group's strategy detailed in the Chief Executive's review on pages 3 to 5, the principal risks described on pages 16 and 17, the results of the scenario planning on the group's financial plan detailed above together with available cash and committed borrowings, financial covenants and any material uncertainties. In reaching this conclusion, the directors have considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the directors would consider undertaking.

Financing and treasury policy
The financing and treasury policy requires a prudent approach to the investment of surplus funds, external financing, settlement, foreign exchange risk and internal control structures. The policy prohibits the use of financial derivatives and sets limits for gearing.

Charitable donations
During the year, the group made charitable donations of £21,110 (2015: £32,556) to charities serving the communities in which the group operates. We encourage employees to raise funds for charity and the Company matches funds raised by the employees, subject to certain limits.

Our UK retail network acted as a collection agent for the BBC's Children in Need telethon.

Employees
Our success depends upon the continuing support and commitment of all our staff. We would like to take this opportunity to thank PayPoint's employees for their commitment, energy and enthusiasm in the delivery of these results.

Economic climate
The company's bill and general payments service, which accounts for 48.1% (2015: 47.9%) of our net revenue, has continued to be resilient, as consumers' discretion in expenditure is limited for essential services and our service continues to be popular. Utility providers continue to install new prepay gas and electricity meters, which should have a beneficial impact on our transaction volumes. There has been an adverse impact on our mobile top-ups as mobile operators continue to offer more airtime at lower cost and to promote prepay less than contract. Mobile is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines.

PayPoint's exposure to retail agent debt in the UK and Ireland is limited as credit granted to retail agents is restricted by daily direct debiting for all UK and Irish transactions, other than EPoS mobile top-ups (which are collected weekly). There is some concentration of risk in multiple retail agents. Most of PayPoint's clients in the UK, other than for top-ups, bear the cost of retail agent bad debt. In PayPoint Romania, the risk of bad debt lies with the company. In Mobile, exposure is limited to receivables from parking authorities.

Trends and factors on future development
For the current financial year, trading is in line with the Company's expectations, although investment in and the continuing losses of Mobile will lower earnings until sold. Our retail networks in the UK and Romania should continue to deliver profitable growth from our breadth of services and extensive client base. We will continue to invest in network expansion, the roll-out of PayPoint One and new services to improve retail network quality further. We anticipate that this will enhance our competitive advantage and increase retail yield. We continue to focus on growth and on evaluating new opportunities to extend our business. The provision of multi-channel payments and services to our client base remains an essential element of our strategy, placing us in growing markets and providing a bridge from cash to electronic payments. Discussions continue with our joint venture partner, Yodel, over the future of Collect+, following its proposed increases in its charges.

RISKS AND UNCERTAINTIES

PayPoint's business, financial condition or operations could be materially and adversely affected by the risks summarised below. Although management takes steps to mitigate risks where possible or where the cost of doing so is reasonable in relation to the probability and seriousness of the risk, it may not be possible to avoid the crystallisation of some or all of such risks.

Risk area	Potential impact	Mitigation strategies
Loss or inappropriate usage of data	The group's business requires the appropriate and secure use of consumer and other sensitive information. Mobile telephone and internet-based electronic commerce requires the secure transmission of confidential information over public networks, and several of our products are accessed through the internet. Fraudulent activity, cyber-crime or security breaches in connection with maintaining data and the delivery of our products and services could harm our reputation, business and operating results.	The group has established rigorous cyber security, anti-fraud and whistleblowing standards, procedures, and recruitment and training schemes, which are embedded throughout its business operations. The group also screens new employees carefully. Continued investments are made in cyber security infrastructure, including the significant use of data and communications encryption technology, improvements in e-mail and web filtering and the introduction of enhanced data leakage prevention tools. We have also developed plans as to how we would respond to a breach of security.
Dependence upon third parties to provide data and certain operational services	The group's business model is dependent upon third parties to provide operational services, the loss of which could significantly impact the quality of our services. Similarly, if one of our outsource providers, including third parties with whom we have strategic relationships, were to experience financial or operational difficulties, their services to us would suffer or they may no longer be able to provide services to us at all, significantly impacting delivery of our products or services.	The group selects and negotiates agreements with strategic suppliers and agents based on criteria such as delivery assurance and reliability. Single points of failure are avoided, where practicable and economically feasible. Controls are regularly reviewed and improved to minimise risk of retailer churn caused by financial loss to retailers through fraudulent third party activity.
Exposure to legislation or regulatory reforms and risk of non-compliance	The group is largely unregulated by financial services regulators although in the UK we have Payment Institution status, through PayPoint Payment Services Limited for prefunded cash payments to consumers. The group's agents which offer money transfer on behalf of third party clients are licensed as Money Service Businesses by HMRC. Our Mobile business is subject to Payment Card Industry Data Security Standards regulated by the card schemes. Regulatory reform could increase the cost of the group's operations or deny access to certain territories in the provision of certain services. Non-compliance with law, regulation, privacy or information security laws could have serious implications in cost and reputational damage to the group.	The group's legal department works closely with senior management to adopt strategies to educate legislature, regulators, consumer and privacy advocates and other stakeholders to support the public policy debate, where appropriate, to ensure regulation does not have unintended consequences over the group's services. The group has in place a business ethics policy which requires compliance with local legislation in all the territories in which the group operates. A central compliance department co-ordinates all compliance monitoring and reporting. Subsidiary managing and finance directors are required to sign annual compliance statements.
Interruptions in business processes or systems	The group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems, financial settlement systems, data and call centres, as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services, causing harm to our business and reputation and resulting in loss of customers or revenue.	Comprehensive business continuity plans and incident management programmes are maintained to minimise business and operational disruptions, including fraudulent activity, system failure or pandemic incidents. Support arrangements have been established with third party vendors and there are strict standards, procedures and training schemes for business continuity.
Dependence on recruitment and retention of highly skilled personnel	The ability of the group to meet the demands of the market and compete effectively is, to a large extent, dependent on the skills, experience and performance of its personnel. Demand is high for individuals with appropriate knowledge and experience in payments, IT and support services. The inability to attract, motivate or retain key talent could have a serious consequence on the group's ability to service client commitments and grow our business.	Effective recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential twice a year and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and also reviewed regularly.
Exposure to materially adverse litigation	The group contracts with a number of large service organisations for which it provides services essential to their customers. Failure to perform in accordance with contractual terms could give rise to litigation.	The group seeks to limit exposure in its contracts. Mitigating actions are taken where contractual exposures are above the norm, including insurance coverage, where appropriate and economically sustainable.

Risk area	Potential impact	Mitigation strategies
Technology change may render products obsolete	There are rapid changes in technology in the payments industry including the development of new payment methods, particularly on smart phones and tablets, but also as a consequence of technology changes in other areas e.g. smart meters, which will replace the use of the energy keys and gas cards currently used to pay for prepaid energy. Such changes may render current and new products, such as the PayPoint One new terminal currently being rolled out, and services obsolete.	IT development resource is directed at a group level and developments are in hand to ensure the group has relevant products in place to meet the demands brought about by changing technology. For smart meters, a multi-channel product has been developed and launched.
Exposure to country and regional risk (political, financial, economic, social) in North America, United Kingdom, Romania, France and Ireland	The group's geographic footprint subjects its businesses to economic, political and other risks associated with international sales and operations. A variety of factors, including changes in a specific country's or region's political, economic or regulatory requirements, as well as the potential for geopolitical turmoil, including terrorism and war, could result in loss of services, prevent our ability to respond to agreed service levels or fulfil other obligations. These risks are generally outside the control of the group.	The group's portfolio is diversified by geography, by product, by sector and by client in order to protect itself against many of these fluctuations, especially those that are restricted to individual territories and market sectors, although the bulk of its operations and revenues are UK based.
Exposure to consolidation among clients and markets	Consolidation of retailers and clients could result in reductions in the group's revenue and profits through price compression from combined service agreements or through a reduced number of clients.	No single client accounts for more than 6.0% of the group's net revenue, and no single retailer accounts for more than 4.7% of the group's net revenue, which reduces the probability of this potential risk having a significant impact on the group's business. In addition, the group continues to expand its developing businesses, and in CashOut (reversing the flow of money through its retail networks).
Acquisitions may not meet expectations	The group's acquisitions, strategic alliances and joint ventures may result in financial outcomes that are different than expected. The net sale proceeds from the proposed sale of the mobile payments business may not exceed its carrying value. As a consequence of a proposal by Yodel, our joint venture partner in Collect+, to increase its charges to the joint venture we are in discussions over the future of the joint venture.	The group assesses all acquisitions rigorously, using both in-house experts and professional advisers. In addition, the group conducts regular reviews to monitor performance.
Exposure to the unpredictability of financial markets (foreign exchange, interest rate and other financial risks)	As the group operates on an international basis, it is exposed to the risk of currency fluctuations and the unpredictability of financial markets in which it operates.	The group's financial risk management seeks to minimise potentially adverse effects on the group's financial performance.
Exposure to increasing competition	The group operates in a number of geographic, product and service markets that are highly competitive and subject to technological developments for example the introduction of smart meters and new payment solutions. Competitors may develop products and services that are superior to ours or that achieve greater market acceptance than our products and services, which could result in the loss of clients, merchants and retailers or a reduction in revenue.	The group is committed to continued research and investment in new data sources, people, technology and products to support its strategic plan.
Loss or infringement of intellectual property rights	The group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but in many cases, little protection can be secured. Third parties may claim that the group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce or defend the group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results.	The group, where appropriate and feasible, relies upon a combination of patent, copyright, trademark and trade secret laws, as well as various contractual restrictions, to protect our proprietary technology and continues to monitor this situation. The group also vigorously defends all third party infringement claims.
Data centre security breaches	The group is highly dependent on information technology networks and systems to process, transmit and store electronic information. Fraudulent or unauthorised access, including security breaches of our data centres, could create system disruptions, shutdowns or unauthorised disclosure of confidential information.	The group's data centres are protected against physical break-ins. The group has strict standards and procedures for security and fraud prevention.

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Continuing operations			
Revenue	2	**212,556**	218,495
Cost of sales	2	**(106,539)**	(113,415)
Gross profit		**106,017**	105,080
Administrative expenses		**(55,689)**	(56,892)
Operating profit before impairments and business disposal		**50,328**	48,188
Impairments	7	**(48,986)**	-
Profit on disposal of online payments business	9	**7,014**	-
Operating profit after impairments and business disposal		**8,356**	48,188
Share of (loss) / profit of joint venture	6	**(224)**	1,317
Investment income		**123**	151
Finance costs		**(103)**	(95)
Profit before tax		**8,152**	49,561
Tax	3	**(10,247)**	(10,414)
(Loss) / profit for the year		**(2,095)**	39,147
Attributable to:			
Equity holders of the parent		**(2,111)**	39,150
Non-controlling interests		**16**	(3)
		(2,095)	39,147
(Loss) / earnings per share			
Basic	5	**(3.1)p**	57.6p
Diluted	5	**(3.1)p**	57.4p
Adjusted	5	**58.4p**	57.4p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Items that may subsequently be reclassified to the consolidated income statement:			
Exchange differences on translation of foreign operations	13	**968**	(1,393)
Tax effect thereof		**-**	-
Other comprehensive income / (expense) for the year		**968**	(1,393)
(Loss) / profit for the year		**(2,095)**	39,147
Total comprehensive (expense) / income for the year		**(1,127)**	37,754
Attributable to:			
Equity holders of the parent		**(1,143)**	37,757
Non-controlling interests		**16**	(3)
		(1,127)	37,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**31 March 2016 £000**	31 March 2015 £000
Non-current assets			
Goodwill		**8,068**	7,694
Other intangible assets		**8,038**	6,443
Property, plant and equipment		**21,452**	21,505
Investment in joint venture	6	**1,629**	1,853
Deferred tax asset		**-**	1,131
		39,187	38,626
Current assets			
Inventories		**523**	686
Trade and other receivables	10	**109,247**	163,395
Cash and cash equivalents	11	**80,831**	43,913
Assets held for sale	8	**4,794**	59,066
		195,395	267,060
Total assets		**234,582**	305,686
Current liabilities			
Trade and other payables	12	**140,095**	181,724
Current tax liabilities		**3,487**	4,349
Liabilities directly associated with assets classified as held for sale	8	**3,070**	4,250
		146,652	190,323
Non-current liabilities			
Other liabilities		**-**	21
Deferred tax liability		**67**	-
		67	21
Total liabilities		**146,719**	190,344
Net assets		**87,863**	115,342
Equity			
Share capital	13	**227**	227
Share premium	13	**2,365**	1,977
Share based payment reserve	13	**3,956**	3,926
Translation reserve	13	**(3,038)**	(4,006)
Retained earnings	13	**84,467**	113,348
Total equity attributable to equity holders of the parent		**87,977**	115,472
Non-controlling interest		**(114)**	(130)
Total equity		**87,863**	115,342

These financial statements were approved by the board of directors and authorised for issue on 26 May 2016 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
26 May 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Share based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent £000	Non-controlling interest £000	Total equity £000
Opening equity 1 April 2014		**226**	**408**	**3,682**	**(2,613)**	**101,995**	**103,698**	**(127)**	**103,571**
Profit for the year		-	-	-	-	39,150	39,150	(3)	39,147
Dividends paid	4	-	-	-	-	(24,696)	(24,696)	-	(24,696)
Exchange differences on translation of foreign operations	13	-	-	-	(1,393)	-	(1,393)	-	(1,393)
Movement in share based payment reserve	13	-	-	244	-	-	244	-	244
Arising on issue of shares	13	1	1,569	-	-	-	1,570	-	1,570
Adjustment on share scheme vesting (net of tax benefit of £686,000)	13	-	-	-	-	(2,457)	(2,457)	-	(2,457)
Deferred tax on share based payments		-	-	-	-	(644)	(644)	-	(644)
Closing equity 31 March 2015		**227**	**1,977**	**3,926**	**(4,006)**	**113,348**	**115,472**	**(130)**	**115,342**
(Loss) / profit for the year		-	-	-	-	(2,111)	(2,111)	16	(2,095)
Dividends paid	4	-	-	-	-	(27,436)	(27,436)	-	(27,436)
Exchange differences on translation of foreign operations	13	-	-	-	968	-	968	-	968
Movement in share based payment reserve	13	-	-	30	-	-	30	-	30
Arising on issue of shares	13	-	388	-	-	-	388	-	388
Adjustment on share scheme vesting (net of tax benefit of £666,000)	13	-	-	-	-	666	666	-	666
Closing equity 31 March 2016		**227**	**2,365**	**3,956**	**(3,038)**	**84,467**	**87,977**	**(114)**	**87,863**

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Net cash inflow from operating activities	15	**59,014**	44,896
Investing activities			
Investment income		**123**	153
Purchases of property, plant and equipment and technology		**(8,219)**	(10,076)
Proceeds from disposal of property, plant and equipment		**-**	4
Repayment of loan by joint venture		**-**	150
Acquisition of subsidiary		**-**	(180)
Net proceeds on disposal of subsidiary	9	**11,966**	-
Net cash generated / (used) in investing activities		**3,870**	(9,949)
Financing activities			
Cash settled share based remuneration		**(576)**	(2,898)
Dividends paid:			
- Final and interim	4	**(27,436)**	(24,696)
Net cash used in financing activities		**(28,012)**	(27,594)
Net increase in cash and cash equivalents		**34,872**	7,353
Cash and cash equivalents at beginning of year		**47,198**	41,600
Effect of foreign exchange rate changes		**1,151**	(1,755)
Cash and cash equivalents at end of year		**83,221**	47,198

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Reconciliation of items disclosed on the consolidated statement of financial position:			
Cash and cash equivalents		**80,831**	43,913
Cash and cash equivalents included in assets held for sale	8	**2,390**	3,285
Cash and cash equivalents at end of year		**83,221**	47,198

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

These financial statements have been prepared on an historical cost basis and on the basis of the policies set out below.

Basis of preparation
While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards as adopted for use by the EU (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS in due course.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2016 or 31 March 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the company's annual general meeting.

The auditor has reported on those accounts; the auditor's report was unqualified, did not draw attention to any matters by way of emphasis without qualifying its report and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The financial information complies with the recognition and measurement criteria of IFRS, and with the accounting policies of the group which were set out on pages 68 to 71 of the 2016 annual report and accounts. No subsequent material changes have been made to the group's accounting policies.

The directors are satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report.

2. Segment reporting, revenue, net revenue and cost of sales

(i) Segment information
PayPoint is a service provider for consumer transactions through various distribution channels, involving the processing of high volume transactions, the management of retailers and clients, the settlement of funds (collection and transmission) and transmission of data in a secure environment, by the application of technology.

The application of technology is directed on a group basis by the group's executive (comprising the Chief Executive, Finance Director, Business Development Director and Chief Information Officer) to develop products across the business, prioritised on an economic value basis (generally by product), rather than on a subsidiary by subsidiary basis. As the business has high fixed operating costs, the Company regards the analysis of net revenue as the most reliable indication of contribution on a product by product basis and net revenue analysis is shown in the operating and financial review.

Whilst the group has a number of different services and products, these do not meet the definition of different segments under IFRS 8 and, therefore, the group has only one reportable class of business, being a service provider for consumer payment and value added transactions.

(ii) Revenue, net revenue and cost of sales
Revenue comprises the value of sales (excluding sales taxes) of services in the normal course of business.

Revenue performance of the business is measured by net revenue, which is calculated as the total revenue from clients less commissions paid to retail agents, the cost of mobile top-ups and SIM cards where PayPoint is principal and costs incurred by PayPoint which are recharged to clients and merchants. These costs include retail agent commission, merchant service charges levied by card scheme sponsors and costs for the provision of call centres for mobile parking clients.

Net revenue	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Revenue – transaction processing	**211,401**	217,430
– service charge income from ATMs	**1,155**	1,065
	212,556	218,495
less:		
Commission payable to retail agents	**(57,650)**	(63,337)
Cost of mobile top-ups and SIM cards as principal	**(28,082)**	(29,549)
Card scheme sponsors’ charges	**(3,191)**	(2,478)
Net revenue	**123,633**	123,131

Cost of sales

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cost of sales		
Commission payable to retail agents	**57,650**	63,337
Cost of mobile top-ups and SIM cards as principal	**28,082**	29,549
Card scheme sponsors’ charges	**3,191**	2,478
Depreciation and amortisation	**5,784**	6,530
Other	**11,832**	11,521
Total cost of sales	**106,539**	113,415

Geographical information

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Revenue		
UK	**168,926**	173,976
Ireland	**6,371**	9,062
Romania	**31,956**	30,673
North America	**5,303**	4,784
Total	**212,556**	218,495

Non-current assets (excluding deferred tax)

	31 March 2016 £000	31 March 2015 £000
UK	**38,426**	36,519
Romania	**761**	976
North America	**-**	-
Total	**39,187**	37,495

3. Tax

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Current tax		
Charge for current year	**9,909**	10,015
Adjustment in respect of prior years	**(860)**	(3)
Current tax charge	**9,049**	10,012
Deferred tax		
Charge for current year	**420**	345
Adjustment in respect of prior years	**778**	57
Deferred tax charge	**1,198**	402
Total income tax		
Income tax charge	**10,247**	10,414

The income tax charge is based on the United Kingdom statutory rate of corporation tax for the year of 20% (2015: 21%) The charge for the year can be reconciled to the profit before tax as set out in the consolidated income statement

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit before tax	**8,152**	49,561
Tax at the UK corporation tax rate of 20% (2015: 21%)	**1,630**	10,408
Tax effects of:		
Losses in countries where the tax rate is different to the UK	**(228)**	(200)
Disallowable expenses	**(52)**	235
Utilisation of tax losses not previously recognised	**(38)**	(274)
Losses in companies where a deferred tax asset was not recognised	**459**	406
Adjustments in respect of prior years	**(43)**	54
Research and development allowance	**-**	(310)
Tax impact of share based payments	**208**	95
Revaluation of deferred tax asset due to change in tax rate	**(25)**	-
Disallowable impairments and profit on disposal	**8,336**	-
Actual amount of tax charge	**10,247**	10,414

4. Dividends on equity shares

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 14.2p per share (2015: 12.4p)	**9,667**	8,437
Proposed final dividend of 28.2p per share (2015: paid 26.1p per share)	**19,199**	17,760
Total dividends paid and recommended of 42.4p per share (2015: 38.5p per share)	**28,866**	26,197
Amounts distributed to equity holders in the year:		
Final dividend for the prior year	**17,769**	16,259
Interim dividend for the current year	**9,667**	8,437
	27,436	24,696

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

5. Earnings per share

Basic and diluted earnings per share are calculated on the following profits and number of shares.

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
(Loss) / profit for basic and diluted earnings per share is the net (loss) / profit attributable to equity holders of the parent	**(2,111)**	39,150

	31 March 2016 Number of shares	31 March 2015 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**68,080,179**	**68,019,437**
Potential dilutive ordinary shares:		
Deferred share bonus	**147,156**	**239,049**
Diluted basis	**68,227,335**	**68,258,486**

Adjusted earnings per share

	Year ended 31 March 2016 £'000	**Year ended 31 March 2016 Pence per share**
Earnings for the purpose of basic EPS	**(2,111)**	**(3.1)**
Adjustments:		
Impairments (note 7)	**48,986**	**72.0**
Profit on disposal of business (note 9)	**(7,014)**	**(10.3)**
Earnings for the purpose of adjusted EPS	**39,861**	**58.6**
Effect of potential dilutive ordinary shares	**-**	**(0.2)**
Earnings for the purpose of adjusted diluted EPS	**39,861**	**58.4**

There were no adjustments made to the 2015 EPS.

6. Investment in joint venture

On 5 February 2009, PayPoint entered a 50:50 joint venture with Yodel (formerly Home Delivery Network). The joint venture company, Drop and Collect Limited, trades as Collect+. PayPoint subscribed to £500,000 of ordinary shares in the company. The joint venture company has the same accounting reference date as PayPoint plc.

PayPoint's share of aggregated amounts relating to joint ventures	**31 March 2016 £000**	31 March 2015 £000
Opening balance	**1,853**	686
Result for the year	**(224)**	1,317
Repayment of loan	**-**	(150)
Closing balance	**1,629**	1,853

PayPoint's share of aggregated amounts relating to joint ventures	**Year ended 31 March 2016 £000**	Year ended 31 March 2015 £000
Revenues	**24,794**	23,030
(Loss) / profit for year	**(224)**	1,317

7. Impairments

In the year as a result of the review of the carrying value of the Mobile and Online assets and the Collect+ investment the following impairments have been charged to the profit and loss account:

	31 March 2016 £000	31 March 2015 £000
Impairments:		
Online	**18,207**	-
Mobile	**30,779**	-
	48,986	-

The impairments recorded in the current year represent the accumulated impairment losses for both the group and Company.

The group has classified the mobile payments business as held for sale since 31 March 2015. The group continues to pursue the sale of the business which has to date, proved challenging. In light of this, the group has re-evaluated the fair value less costs of disposal to determine the recoverable amount and has recorded an impairment charge of £30.8 million.

8. Assets held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	31 March 2016 £000	31 March 2015 £000
Assets held for sale:		
Goodwill	-	49,321
Other intangible assets	-	3,449
Property plant and equipment	549	733
Deferred tax asset	-	14
Trade and other receivables	1,855	2,264
Cash and cash equivalents	2,390	3,285
	4,794	59,066
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	3,070	4,030
Current tax liabilities	-	220
	3,070	4,250
Net assets held for sale	**1,724**	54,816

The assets held for sale at 31 March 2016 are the mobile payments business and those held for sale at 31 March 2015 are those of the mobile and online payments businesses, including their related goodwill.

In the first half of the year ended 31 March 2016 management recorded an impairment of all goodwill in the online payments business of £18.2 million. The online payments business was subsequently sold on 8 January 2016.

9. Profit on disposal of online payments business

As referred to in note 8, on 8 January 2016 the group disposed of its interest in the online payments business.

The net assets of the online payments business consisted of PayPoint.net Limited and Metacharge Limited and at the date of disposal were as follows:

	£000
Intangible assets	4,258
Property, plant and equipment	178
Deferred tax asset	43
Trade and other receivables	1,313
Cash and cash equivalents	334
Trade and other payables	(840)
Net carrying value of disposed business	**5,286**
Profit on disposal	**7,014**
Net consideration[1]	12,300
Satisfied by:	
Cash and cash equivalents	12,300
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents[1]	**12,300**
Less: cash and cash equivalents disposed of	(334)
	11,966

[1] Net of £2.1 million of disposal costs

There were no disposals of subsidiaries made in the year ended 31 March 2015. The impact of the online payments business on the group's results in the current year was a net loss of £0.2 million.

10.Trade and other receivables

	31 March 2016 £000	31 March 2015 £000
Trade receivables[1]	**18,645**	15,598
Allowance for doubtful debts	**(954)**	(946)
	17,691	14,652
Items in the course of collection[2]	**81,403**	139,940
Other receivables	**1,071**	1,001
Prepayments and accrued income	**9,082**	7,802
	109,247	163,395

1 The average credit period on the sale of goods is 33 days (2015: 28 days).

2 Items in the course of collection represent amounts collected for clients by retail agents and includes an allowance for doubtful debts of £1,849,000. PayPoint bears credit risk and will have title to the cash collected on only £17,801,742 of this balance at 31 March 2015 (2015: £29,719,000). Credit risk is mitigated by daily direct debiting and the suspension of terminals where direct debits fail. At the date of this report, all but £21,000 has been collected from retailers.

11. Cash and cash equivalents

Included within group cash and cash equivalents is £21,539,000 (2015: £3,772,000) relating to monies collected on behalf of clients where PayPoint has title to the funds (client cash). An equivalent balance is included within trade payables (note 12).

The group operates cash pooling amongst its various bank accounts in the UK and therefore individual accounts can be overdrawn without penalties being incurred so long as the overall position is in credit. At 31 March 2016, the group's cash was £80,831,000 (2015: £43,913,000), excluding £2,390,000 in assets held for sale (2015: £3,285,000).

Client settlement funds in the UK and Ireland are not shown in the balance sheet as the funds are held in trust for clients. In Romania, all client settlement funds are held in bank accounts owned by PayPoint Romania and this cash, which at 31 March 2016 amounted to £8.6 million (31 March 2015 £10.1 million) is included in the balance sheet.

12. Trade and other payables

	31 March 2016 £000	31 March 2015 £000
Amounts owed in respect of client cash[1]	**21,539**	3,772
Other trade payables [2]	**22,920**	24,847
Trade payables	**44,459**	28,619
Settlement payables[3]	**83,252**	139,940
Other taxes and social security	**1,540**	1,873
Other payables	**1,867**	3,106
Accruals	**8,058**	7,401
Deferred income	**919**	785
	140,095	181,724

1 Included within trade payables is £21,539,000 (2015: £3,772,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within cash and cash equivalents (note 11).
2 The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 27 days purchases outstanding at 31 March 2016 (2015: 38 days) based on the average daily amount invoiced by suppliers during the year.
3 Payable in respect of amounts collected for clients by retail agents.

13. Equity

	31 March 2016 £000	31 March 2015 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each (2015: 4,365,352,200 ordinary shares of 1/3p each)	**14,551**	14,551
	14,551	14,551
Called up, allotted and fully paid share capital		
68,080,179 ordinary shares of 1/3p each (2015: 68,045,059 ordinary shares of 1/3p each)	**227**	227
	227	227
Called up share capital		
At start of year	**227**	226
Arising on issue of shares	**-**	1
At end of year	**227**	227
Share premium		
At start of year	**1,977**	408
Arising on issue of shares	**388**	1,569
At end of year	**2,365**	1,977
Share based payment reserve		
At start of year	**3,926**	3,682
Additions in year	**1,660**	1,570
Lapsed in year	**(1,630)**	(1,326)
At end of year	**3,956**	3,926
Translation reserve		
At start of year	**(4,006)**	(2,613)
Movement during year	**968**	(1,393)
At end of year	**(3,038)**	(4,006)
Retained earnings		
At start of year	**113,348**	101,995
(Loss) / profit for year	**(2,095)**	39,147
Non-controlling interest (profit) / loss for year included in above	**(16)**	3
Dividends paid	**(27,436)**	(24,696)
Adjustment on share scheme vesting (net of tax benefit of £666,000)	**666**	(2,457)
Deferred tax on share based payments	**-**	(644)
At end of year	**84,467**	113,348

The long term incentive plan tranche did not vest in June 2015. Under IFRS 2, the fair value charges of £848,000 relating to this tranche, which had been previously charged to the income statement, have been reclassified to retained earnings. The deferred share bonus did fully vest in June 2015 and accordingly the fair value charge of £115,000 was also reclassified to retained earnings.

14. Related party transactions

Remuneration of the directors, who are the key management of the group, was as follows during the year:

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Short term benefits and bonus [1]	**1,570**	2,624
Pension costs [2]	**219**	202
Long term incentives [3]	**353**	597
Other [4]	**9**	9
Total	**2,151**	3,432

1 Includes salary, fees, benefits in kind and annual bonus
2 Defined contribution pension scheme, of which two current directors are members.
3 Long term incentives: includes the value of 2013 DSB and LTIP awards expected to vest after the year end (2016: 2013 DSB and LTIP awards)
4 SIP matching and dividend shares awarded in the year

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

PayPoint has entered into a loan agreement with its 50:50 joint venture Drop and Collect Limited (trading as Collect+) and during the year it has received nil repayments from Drop and Collect Limited. The amount outstanding at 31 March 2016 is £5.4 million (2015: £5.4 million)

The terms of the loan are:

- Interest payable annually at a rate of 3 months LIBOR.
- Repayable upon termination of the joint venture or upon demand by the lender.

The Company and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and service transactions with Collect+. These transactions are under terms that are no less favourable than those arranged with third parties. Amounts received from Collect+ during the year totalled £13.3 million (2015: £12.4 million) and PayPoint held a trade debtor at year end for Collect+ of £0.5 million (2015: £0.3 million).

15. Notes to the cash flow statement

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Profit before tax	**8,152**	49,561
Adjustments for:		
Depreciation of property, plant and equipment	**4,698**	5,383
Amortisation of intangible assets	**1,086**	1,147
Share of losses / (profits) in joint venture	**224**	(1,317)
Research and development credit	**(522)**	-
Impairments	**48,986**	-
Profit on sale of investments	**(7,014)**	-
Loss / (profit) on disposal of fixed assets	**25**	7
Net interest income	**(20)**	(56)
Share based payment charge	**1,442**	1,570
Operating cash flows before movements in working capital	**57,057**	56,295
Decrease / (increase) in inventories	**193**	(25)
(Increase) / decrease in receivables	**(1,500)**	(971)
Increase / (decrease) in payables		
– client cash	**17,762**	(2,687)
– other payables	**(4,516)**	995
Cash generated by operations	**68,996**	53,607
Corporation tax paid	**(9,877)**	(8,614)
Bank charges paid	**(105)**	(97)
Net cash from operating activities	**59,014**	44,896

Movements in items in the course of collection (see note 10) and settlement payables (see note 12) have not been included in this reconciliation as the directors do not consider them to be operating working capital balances.

TRADING HISTORY

Year ended March

	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Revenue	157.1	212.1	224.4	196.6	193.2	200.0	208.5	212.2	218.5	212.6
Net revenue	57.7	69.9	77.4	77.4	82.7	90.4	105.7	113.7	123.1	123.6
Profit before tax[1]	**26.6**	**30.4**	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**	**46.0**	**49.6**	**50.1**
Tax	7.9	9.4	10.8	10.5	10.6	10.3	10.3	10.1	10.4	10.2
Profit after tax	**18.7**	**21.0**	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**	**35.9**	**39.1**	**39.9**
Earnings per share[2]										
Basic	27.7p	31.1p	35.6p	32.9p	35.2p	39.8p	45.7p	52.9p	57.6p	58.6p
Diluted	27.3p	30.8p	35.3p	32.7p	35.1p	39.8p	45.3p	52.6p	57.4p	58.4p
Dividend per share (excluding special dividends)	9.1p	10.4p	11.6p	21.8p	23.4p	26.5p	30.4p	35.3p	38.5p	42.4p

This table does not form part of the audited financial statements or notes (as listed in the Independent Auditor's Report in the company's statutory accounts for the year ended 31 March 2016). All numbers quoted are reported under IFRS.

[1] 2016 profit before tax and earnings per share excludes the impairments of £49.0 million and the profit on disposal of the online payments business of £7.0 million.

ABOUT PAYPOINT

We support market leading national networks across 39,000 convenience stores in the UK and Romania so that our customers are always close to a PayPoint store. In thousands of locations, as well as at home or on the move, people use us better to control their household finances, essential payments and in-store services, like parcels. Our UK network contains more branches than all banks, supermarkets and Post Offices together, putting us at the heart of communities for over 10 million regular weekly customers.

We have a proven track record of decades of tech-led innovation, providing retailers with tools that attract customers into their shops. Our industry-leading payments systems give first class service to the customers of over 1,500 clients - utility companies, retailers, transport firms and mobile phone providers, government and more.

We are on and offline; providing for payments by cash, card including contactless; retail, phone and digital; at home, work and whilst out and about from Land's End to the highlands and islands – helping to keep modern life moving.

Multichannel payments

We offer clients streamlined consumer payment processing and transaction routing in one, seamlessly integrated solution, through MultiPay. This gives customers the flexibility to pay in the way that best suits them; including mobile app, online, text, phone/IVR and cash in-store.

MultiPay is live with Utilita, a fast growing challenger energy supplier. We have signed several other energy companies, a framework agreement with Procurement for Housing and, significantly, Scottish and Southern Energy, our first Big 6 energy client.

Retail networks

In the UK, our network includes over 29,000 local shops including Co-op, Spar, Sainsbury's Local, Tesco Express and thousands of independent outlets. These outlets are quick and convenient places to make energy meter prepayments, bill payments, benefit payments, mobile phone top-ups, transport tickets, TV licences, cash withdrawals and more.

Our Romanian network continues to grow profitably. We have more than 10,200 local shops, helping people to make cash bill payments, money transfers, road tax payments and mobile phone top-ups. Our clients include all the major utilities and telcos and many other consumer service companies.

In the UK, our Collect+ joint venture with Yodel offers parcel drop-off and pick-up services in nearly 6,000 convenience stores. Customers use Collect+ to handle parcels from major retailers including Amazon, eBay, ASOS, New Look, John Lewis, House of Fraser, M&S and Very.

The UK network also includes over 4,200 LINK branded ATMs, and 10,000 of our terminals enable retailers to accept debit, credit and contactless payments, including Apple Pay.

We operate over 3,000 Western Union agencies in the UK and Romania for international and domestic money transfers.