PayPoint plc
Preliminary results
Period ended 31 March 2013

HIGHLIGHTS

	53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase[2]
Revenue	**£208.5m**	£200.0m	4.2%
Net revenue[1]	**£105.7m**	£90.4m	16.8%
Gross margin	**43.0%**	39.1%	3.9ppts
Operating profit	**£42.0m**	£38.9m	8.0%
Profit before tax	**£41.3m**	£37.2m	10.9%
Diluted earnings per share	**45.3p**	39.8p	13.8%
Dividend per share (full period)[3]	**30.4p**	26.5p	14.7%

- Record group transaction volume at 739 million, up 12%, with growth in all channels
- Period end cash of £46.6 million (2012: £35.5 million) with no debt
- Proposed final dividend of 20.2p, up 13% on prior year plus a special dividend of 15p per share

Retail

- UK & Ireland retail network transactions increased 9%, with strong growth of 22% in retail services
- Over 25 million Romanian bill payment transactions in the period, up 35%, and continued profitable growth in the network
- Collect+ has more than doubled transactions to 7.7 million from 3.8 million and is now available nationwide in over 5,250 sites

e&m commerce (PayPoint.net and PayByPhone)

- Internet transactions have grown by 26%
- PayByPhone increased transactions to over 22 million, up 29%

Enquiries

PayPoint plc
Dominic Taylor, Chief Executive 01707 600300
George Earle, Group Finance Director

Finsbury
Rollo Head 0207 2513801
Charlotte Whitley

A presentation for analysts is being held at 11.45 am today at Finsbury, Tenter House, Moorfields, London, EC2

This announcement together with the preliminary results presentation is available on the PayPoint plc website: http//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 costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

2 The reported period of 26 March 2012 to 31 March 2013 contains 53 weeks. Comparative data is given for the 52 week period reported last year (i.e. 28 March 2011 to 25 March 2012). Percentage increases on a pro-rata basis are lower than those shown.

3 Excludes special dividend in 2013.

CHAIRMAN'S STATEMENT

I am pleased to report strong growth in transactions, net revenue and earnings per share for the period under review. We are proposing a final dividend of 20.2p per share, together with a special dividend of 15p per share, making a total for the period of 45.4p, an increase, excluding the special dividend, of 14.7%. The special dividend reflects the stronger than expected cash position at March 2013 and our confidence in the company's ability to generate cash. This does not impinge upon the company's ability to invest in growth.

Our retail networks in the UK and Romania delivered profitable growth based on our strong client base and breadth of services. We continue to innovate and invest in technology and new services to maintain the premium quality of these retail networks and their competitive advantages. In the UK, growth in prepaid energy transactions resulted from increases in the number of prepaid meters and tariffs. Retail services delivered healthy growth, but mobile top-ups continued to decline. The introduction of the Simple Payment service for the DWP has contributed to growth, but the number of transactions has been lower than expected, as a proportion of the cheque volume it was intended to replace has migrated to other payment methods. We have continued to expand our Romanian retail terminal estate (by 609 sites) and transaction volume has increased by 28%. In Romania, national television advertising helped to improve brand awareness and drive increases in market share. Western Union money transfer has also contributed to Romanian growth.

Our parcels service[1] has been increasingly profitable. Parcel transactions have more than doubled to 7.7 million (2012: 3.8 million), driven by consumers' appetite for click and collect. Collect+ has increased the number of clients it serves to 212, from 126 at 25 March 2012. Transaction numbers have grown in all services, including consumer deliveries, sold through the Collect+ website, Amazon, eBay and resellers. We now have contracts with Amazon for deliveries and returns and with Amazon Marketplace. We have added more retailers, such as John Lewis, to our list of clients. We continue to spend money on service improvements, which should help to deliver revenue growth that outstrips the growth in costs.

In our e&m commerce channels (internet, trading as PayPoint.net, and mobile, trading as PayByPhone), transaction growth was 27% and net revenue growth 8%. Transaction growth in large internet merchants, which generate lower net revenues, dominated and a one off receipt in the prior year caused net revenue growth to be lower than transaction growth. Through PayByPhone, we gain valuable insight into the development of mobile commerce but this remains an early stage venture. We have continued to win new clients. Although conversion into revenue of business won remains slow, the potential market for services delivered through mobile phones is large. Extension to other mobile commerce areas offers further potential, but will require expenditure in development and marketing. We have also sought to improve efficiency first by concentrating sales efforts on larger opportunities and second, by addressing telecommunications costs. Further cost reduction opportunities exist, including the migration of payments to our internet channel, the technical integration of which is now complete. Since the period end, we have brought these two channels under common management to accelerate the synergies, in both revenue and efficiency.

We have continued to invest in technology. We have signed contracts with two new data centre operators. We will introduce single daily settlement with our retailers, reducing retailer banking costs and our exposure to retail agent debt. In e&m commerce, we are planning to replace and upgrade our internet platform. In PayByPhone, we are developing our technology to open the platform to services other than parking and reducing our cost to serve.

For the current financial year, trading is in line with the company's expectations. Our retail networks are strong and developing well. We intend to pursue further opportunities to grow the retail network, thereby increasing market share in bill payment and retail services, including ATMs, in the UK, Ireland and Romania. We expect continued progress in the internet and mobile payment channels. Together, our businesses provide a strong foundation to deliver value for our shareholders.

David Newlands
23 May 2013

1 Our parcels service comprises the net revenue less direct costs in the UK retail network, less our share of the losses of Collect+.

CHIEF EXECUTIVE'S REVIEW

PayPoint has delivered earnings growth in line with market expectations. Our retail businesses (UK and Ireland, Romania and Collect+) have grown and remain highly profitable and cash generative. Our e&m business (PayPoint.net and PayByPhone) has made good progress.

The essence of the group's capability is the processing of high volume consumer transactions, whether payments or value added services (like parcels) through a flexible platform, adding value to clients in selected vertical markets. Payment transactions are generally low value and embrace retail, internet and mobile technologies and include money flowing both to and from the consumer. We add value by providing relevant additional services to retailers and online merchants across different geographies. Providing greater consumer convenience is core to our proposition. We are able to grow the business through selling to more clients in vertical markets, by addressing more verticals, by engaging more retailers and more merchants, driving more consumers to use our services.

Our strategy

Our strategy, which remains unchanged, has four key elements:

- **Breadth of payments capability**
  The acceptance of a broad range of payments (cash, cards, e-money, etc.) through multiple channels (retail, internet and mobile phone)
- **Strength in vertical markets**
  Targeting sectors with high volume, recurring consumer payments
- **Value added content / services**
  Providing additional content or services to the payment channels and chosen vertical markets to create differentiation
- **Geographic reach**
  Identifying regions with attractive payment dynamics to create value through exporting our know-how

PayPoint has succeeded in introducing this broad payment hub capability to clients in key vertical markets (energy, telecoms and media, financial services, parking/transport, public sector/social housing, retail and gaming/leisure), with the ability to process payments using the consumer's preferred method of payment and channel. The delivery of payments between consumers and our clients encompasses transaction authorisation, processing, clearing and settlement and interfacing to banks, card schemes/networks and other financial intermediaries. PayPoint also provides value added content and services within each channel, to differentiate the PayPoint proposition from those of its competitors.

In our retail channels, differentiation is achieved through providing retailers with a broad range of retail services, including ATMs, credit and debit card processing, parcel collections and returns service, SIM cards and international money transfer. The high quality of service delivery to retailers is also critical to differentiation.

In the internet channel, differentiation to merchants is driven through a widening base of acquiring bank relationships (increasingly in different geographies) and payment types, together with the quality of our fraud screening and reporting products.

Our mobile channel, delivered through PayByPhone, will similarly drive differentiation through its ability to leverage our cash retail payment capability and internet payment services, combined with improving the consumer experience.

Technology

Technology is at the heart of our service delivery and differentiation in all our businesses and we plan to continue to increase spending in this area. We see opportunities to integrate our payment channel technologies to provide better, more efficient and complete solutions to our clients across a common platform, irrespective of whether their customer has paid in a store, online or on their phone. Improving reporting to merchants and upgrading retailer management systems will enhance our ability to provide customers with a unique service and will contribute to growth. The reporting system under development for online merchants offers opportunity for extension to other clients across all distribution channels. As we invest in this more integrated solution, we also plan to consolidate our data centres in two hosted sites.

Growth and prospects
PayPoint is well positioned, in attractive markets, to benefit from its strength in multi-channel payments and retail services. The growth in convenience retailing, online and mobile commerce is expected to continue for the foreseeable future. Our position within vertical markets, including energy, telecoms/media, financial services, parking/transport, gaming/leisure and public sector/social housing, provides us with a platform to benefit from the investments being made by our clients and prospects. As businesses seek to serve their customers across a wider variety of distribution channels, offering many payment options, we are well placed, with the breadth of our payment services and Collect+, to serve their needs.

Vertical markets
Our clients are a Who's Who of consumer services companies in the countries we serve. Their needs to innovate and use new delivery channels should continue to drive opportunities for us in future. In the UK, the energy sector continues to grow its prepayment base and is now investing in next generation smart meters that should further strengthen the demand to serve prepayment customers, not just for cash in store, but also across our web and mobile channels. Government is mandating that all domestic gas and electricity meters should be smart by 2020.

In recent years, PayPoint UK has added public sector capability to its portfolio. Welfare reform, such as the Universal Credit and the related devolution of some benefits to the local authority level, is likely to have a major impact on the requirements of central government, local authorities and social housing associations, where we are already active. Parking and transport authorities and operators are also keen to adopt smart technology, mobility and multi-channel delivery, the very areas in which we deliver.

Retail
PayPoint's market leadership in retail payments and services remains at the core of its success. We continue to be strongly differentiated through the unique quality and breadth of our client base and retail coverage. We contract with the best convenience retailers and seek to extend the range of payments and services that we provide, delivering new retail schemes that drive footfall and commission earnings to our retail partners, securing their continuing commitment.

Convenience retailing is evolving from its former guise as a secondary top-up shopping destination into a principal choice for many busy consumers looking for quality products and services as conveniently as possible. The sector has benefitted from substantial investment in premises and upgraded ranges of local shops as a result of the entry of the major grocery multiples and symbol groups. PayPoint has been at the core of this transformation by being the principal innovator of in-store payments and services, helping local stores to become community hubs where consumers visit more often and for a greater range of activities. We intend to build further on our contribution to the breadth and value of the convenience retail offer to local communities.

An important recent retail service innovation builds on PayPoint's success in providing cash to consumers in-store for government disbursements and service rebates, in addition to the ATM cash withdrawals which we have provided for much longer. Not only does CashOut provide a further service offering by retailers to their local community, it also reduces the amount of cash held in store. With the proposed introduction of single daily settlement, where daily direct debits on retailers are reduced by the amount of CashOut and ATM withdrawals, retailers will benefit from reduced cash banking and transaction costs, further differentiating our services to them. We do not just seek to serve consumers through our retailers, we also support our retailers with a broad range of services that support their own trading, including card payments, cash machines, international money transfer, promotional offers and SIM card distribution.

These retail services boost the bottom line of our retail partners and to improve our retail yield. We have increased our field sales force by half since the latter part of the prior year. They will help us find further retail sites, which by virtue of improved uptake of retail services, should not dilute our retail yield. There is substantial opportunity to increase the retailer base, including ATMs. This will require more capital expenditure than previously expected and taken together with other capital plans, will result in higher capital spend in the current year.

International
In Romania we have made good progress in growing profitability. Cash payment is dominant across all demographics and we have nearly all the major consumer service companies as our clients. Our market share in clients we serve (c.12%) is increasing but, encouragingly for future growth, is still at relatively low levels. We aim to extend our client relationships to become the preferred and more exclusive supplier. Recently, we displaced the Post Office in the county of Iasi, in the Moldova region, from the provision of bill payment for EON GAZ, which we will seek to replicate elsewhere.

The retail services opportunity in Romania is at an earlier stage, with international money transfer progressing well. We expect new retail services to come to market in the medium term and to continue to grow our outlet numbers and retail yield.

The potential for further international expansion will be reviewed this year.

Collect+
Our most exciting new retail service in recent years has been Collect+, a 50:50 joint venture with Yodel. This service enables consumers to collect and return their home shopping parcels from any of over 5,250 stores within the PayPoint network. The service is now in its fourth year and has an annual parcel run rate of over 9 million with significant growth potential. The service has recently attracted new competition, but we have a lead over our new competitors, none of which come close to the breadth of coverage or volume of parcels that Collect+ provides through a convenience retail channel. Collect+ continues our successful strategy of providing consumers and clients with more convenient and cost effective alternatives to the Post Office. This year should see a substantial expansion in our consumer send volumes with the launch of a faster service delivery option as an enhancement to the existing 3-5 day service. Collect+ is already proving attractive to consumers and small traders and is integrated into the Amazon and eBay platforms.

e&m commerce
Our e&m commerce businesses, PayPoint.net in the internet channel and PayByPhone in the mobile channel, operate in highly competitive markets which have attracted heavy investment from a wide range of market players ranging from global giants all the way down the scale to many innovative small start-ups. In this context, PayPoint has handled tens of millions of payments annually across both web and mobile channels, and is still growing. However, margin erosion in PayPoint.net and the continuing need to invest in PayByPhone in advance of revenues, have adversely affected profitability in the period under review. In order to realise the full potential that these businesses present, we have now put them under single management to position better our capability in this fast changing market place and to benefit from potential cost synergies. Both internet and mobile continue to be the highest growth areas of retail, displacing and complementing traditional high street retailers. PayPoint is applying focus to key vertical markets as we aim to build successful capabilities, where we should be well rewarded and maintain a loyal client and merchant base.

PayByPhone parking will continue to concentrate on metropolitan opportunities in the UK, France, USA, Canada and selected other big cities. We have had recent success in Seattle, Paris suburbs, London and in New York with a trial, showing that this approach is helping us to secure the biggest available opportunities. Our Westminster service is still amongst the most successful phone parking services in the world and we are the market leader in our core markets of the UK and North America.

PayPoint.net will continue to promote and develop its range of payment services, including connections to a broad range of acquirers, support of international gateways, sophisticated fraud screening, payment card industry data security standard compliance and enhanced management reporting and control systems. These support our positioning as a well-respected payment service provider. We have a comprehensive service portfolio in the market and recognised strength in gaming and general ecommerce. As PayPoint.net merchants and prospects look to add mobile payment capability, the closer integration with PayByPhone should enable us to be distinctively positioned with proven high volume products.

Consumers
PayPoint has traditionally served consumers through our business to business (B2B) relationships and we have remained a B2B, or B2B2C (consumer), company in our approach. However, our innovation is taking us deeper into services which have a direct relationship with the consumer. For example, both Collect+ and PayByPhone have substantial consumer bases.

In addition, the footfall from more than 11 million weekly transactions in PayPoint retail outlets provides opportunity for enhanced consumer relationships. PayPoint achieved an 82% brand awareness in our most recent BMRB survey and a 98% consumer satisfaction result surveyed by Ipsos MORI – a level in excess of most consumer service organisations. Our recently launched social networking activities have attracted bigger followings in a few months than many big name consumer service organisations have achieved in several years. These are strong foundations on which to build our consumer brand more directly.

As we build our group capability going forward, we will be looking to extend our consumer base and to develop more value added propositions to increase our consumer yield, as well as our client and retailer yields. In doing this, we should benefit from the strong consumer brand we have already developed. PayPoint is one of the companies best placed to make further gains in the fast moving payment industry, particularly in e&m commerce, and has a market leading position in retail services, on which we intend to build.

Dominic Taylor
23 May 2013

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.

Measuring our performance

Strategic focus	KPI	Description	2013	2012
Shareholder return	Earnings per share (diluted)	Profit after tax attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period (including the impact of shares which are likely to be issued under share schemes).	**45.3p**	39.8p
	Dividends per share	Proposed final dividend and interim dividend divided by the number of fully paid shares at the end of the period (excludes special dividend in 2013).	**30.4p**	26.5p
	Economic profit	Operating profit (including PayPoint's share of joint venture results) after tax and a charge for capital employed, excluding cash, based upon the group's cost of capital.	**£24.0 million**	£20.4 million
Growth	Retail networks transactions	Number of transactions processed in the period on our terminals, ATMs and on our retailers' EPoS systems.	**625 million**	569 million
	Internet transactions	Number of transactions processed in the period by PayPoint.net.	**92 million**	73 million
	PayByPhone	Number of PayByPhone transactions processed in the period.	**22 million**	17 million
	Transaction value	The value of transactions processed via our terminals, retailers' EPoS systems, internet merchants, ATMs, PayByPhone and the sale of other retail services.	**£14.1 billion**	£12.1 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.	**£106 million**	£90 million
	Operating margin	Operating profit including our share of joint venture results as a percentage of net revenue.	**38.8%**	41.0%
Asset optimisation	Return on capital employed	Total operating profit for the period divided by average month end capital employed (net assets excluding cash).	**61%**	58%
People	Labour turnover	Number of permanent employees who left during the period divided by average total permanent employees:		
		UK & Ireland	**23%**	26%
		Rest of world	**17%**	28%

OPERATING AND FINANCIAL REVIEW

The operating and financial review complies with the guidance set out in the Accounting Standards Board's Reporting Statement: Operating and Financial Review and is prepared solely to provide additional information to shareholders as a body to assess PayPoint's strategies and their potential to succeed. It should not be relied upon for any other purpose. It contains forward looking statements that have been made by the directors in good faith, based on the information available at the time of approval of the annual report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

Key performance indicators are shown on page 7.

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 and our networks by product to help to explain the execution of our strategy.

Growth opportunities include retail services, new clients and the development of clients in the UK retail network; the expansion of the retail network and new retail services in Romania; building and developing Collect+; new merchants and new services for internet payments; new parking contracts and driving consumer adoption and the development of other services for PayByPhone.

The results cover a period of 53 weeks (2012: 52 weeks) and as a consequence, percentage increases are flattered by an additional week of trading. Pro-rata increases would be less, generally between 1 to 3 percentage points. PayPoint will report on a calendar year basis from the current year.

The channel and product analysis is as follows:

Retail networks:
Bill and general (prepaid energy, bills and CashOut services)
Top-ups (mobile, e-money vouchers, prepaid debit cards and The Health Lottery)
Retail services (ATM, debit/credit, parcels, money transfer, SIMs and receipt advertising)

e&m commerce:
Internet (consumer transactions with merchants, pre-authorisations and Fraudguard, where separately charged)
PayByPhone (parking, tolling, ticketing and bicycle rental transactions)

Other:
Fees, software development, configuration and settlement of claims

Formerly, we disclosed separately: transaction numbers and value; revenue and net revenue by established businesses (UK retail network and internet) and developing businesses (Romanian retail network, PayByPhone and Collect+). Given that the Romanian retail network continues to be profitable and our parcels service (net revenue from parcels in UK retail less direct costs and our share of the loss in Collect+) is also profitable, we have dispensed with the distinction between established and developing businesses.

OPERATING REVIEW

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase %
Transactions	'000	**738,991**	659,115	12.1
Transaction value	£000	**14,095,423**	12,119,894	16.3
Revenue	£000	**208,526**	200,029	4.2
Net revenue [1]	£000	**105,657**	90,442	16.8

Transactions have increased to 739 million (2012: 659 million), up 10% in the retail networks and 27% in the e&m commerce businesses.

Transaction value increased to £14.1 billion (2012: £12.1 billion), up 12% in the retail networks and 25% in the e&m commerce businesses.

Revenue has increased to £209 million (2012: £200 million), up 4% in the retail networks and 9% in the e&m commerce businesses. Revenue growth is lower than transaction volume and value in retail networks because of the decline in top-ups and in e&m commerce because of one off receipts in the prior year.

Net revenue has increased to £106 million (2012: £90 million), up 18% in the retail networks and 8% in the e&m commerce businesses. Net revenue growth is higher than revenue in retail networks because mobile top-up decline, particularly where PayPoint is principal, has a lesser impact on net revenue than revenue and because of the inclusion of set up fees for the DWP Simple Payment service.

Operating profit, including our share of Collect+, was £41.0 million (2012: £37.0 million), an increase of 11%. The increase in the operating profit is the result of the strong growth of the retail network and reduced loss in the period in Collect+.

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, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.

Bill and general

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase %
Transactions	'000	**432,793**	383,332	12.9
Transaction value	£000	**7,751,965**	6,757,902	14.7
Revenue	£000	**79,783**	64,001	24.7
Net revenue [1]	£000	**48,104**	37,390	28.7

Bill and general payment transactions were ahead of the prior year as a result of a 15% increase in prepaid energy volumes. The rise in prepaid volumes was driven by an increase in the number of new prepay meters installed, higher energy use in colder weather, the introduction of our service for npower in the West Midlands and higher energy tariffs. There was also strong growth in Romania, where we processed over 25.5 million transactions (2012: 18.9 million).

The Simple Payment service has now been launched in selected locations across the UK, although volumes have not been material in the reported period. Revenue includes set up and management fees.

Revenue and net revenue growth in excess of transactions was caused mainly by Simple Payment service set up and management fees.

Top-ups

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Decrease %
Transactions	'000	**118,270**	125,163	(5.5)
Transaction value	£000	**1,006,234**	1,071,947	(6.1)
Revenue	£000	**80,390**	94,450	(14.9)
Net revenue [1]	£000	**21,855**	22,756	(4.0)

Top-up transactions decreased over last year due to the continued decline in mobile top-up volumes in the UK and Ireland of 12%. The UK and Irish mobile transaction decline was partly offset by the introduction of The Health Lottery, e-money loads and a small increase in Romanian mobile top-ups, where the impact of a larger network has offset market decline similar to that experienced in the UK.

The reduction in top-up transaction value primarily resulted from prepay mobile market decline. The Health Lottery average transaction values are relatively low, resulting in a slightly larger decrease in transaction value than in transactions. In Romania and Ireland, PayPoint acts as principal for mobile phone top-ups for which the sales value is recorded as revenue and the purchase cost is recorded in cost of sales.

In the UK, PayPoint acts as an agent and only the commission income is recorded as revenue. Therefore, the decline in the mobile top-up market in Romania and Ireland has a larger impact on revenue than net revenue. Notwithstanding this, top-up net revenue decreased less than the fall from mobile as a result of the introduction of The Health Lottery.

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, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure, which the directors believe assists with a better understanding of the underlying performance of the group.

Retail services

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase %
Transactions	‘000	**73,785**	60,493	22.0
Transaction value	£000	**522,929**	426,527	22.6
Revenue	£000	**27,707**	23,659	17.1
Net revenue	£000	**16,817**	13,844	21.5

Retail services volumes have increased across all products. ATM transactions increased by 14%, credit and debit transactions by 17%, SIM card sales by 24% and parcels more than doubled over the prior year. Money transfer transactions have more than doubled, following the launch of the service in Romania during the period.

Transaction value growth was driven by the increases in ATM cash withdrawals and money transfer transactions (which are higher value transactions). Debit/credit transactions (where the card sponsor settles direct with our retailer), parcel transactions and terminal advertising have no associated transaction value and SIM sales are low value transactions.

Retail services revenue grew strongly through sales success with retailers. Net revenue had a larger percentage increase than revenue as retail agent commission is not paid for credit and debit card transactions and receipt advertising.

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 loss of the joint venture in its consolidated income statement, after operating profit.

Collect+ at 100%		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase/ (decrease) %
Transactions	‘000	**7,686**	3,810	101.7
Revenue	£000	**17,753**	8,029	121.1
Loss	£000	**1,929**	3,658	(47.3)

Transactions have more than doubled, driving an increase in revenue ahead of transactions as a result of a richer mix of consumer parcels. The loss has been reduced and substantial further improvement in the results is expected this year.

Internet payments

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase %
Transactions	'000	**91,739**	72,820	26.0
Transaction value	£000	**4,733,078**	3,796,569	24.7
Revenue	£000	**9,933**	9,670	2.7
Net revenue	£000	**9,933**	9,670	2.7

Internet transactions of 92 million were up 26% on prior year as PayPoint.net continues to add large merchants and grow existing merchants organically.

Average internet transaction value has decreased by 1% to £51.59 (2012: £52.14).

Revenue growth was less than transaction and value growth predominantly due to higher transaction growth in some larger merchants who benefit from lower pricing and a one off receipt in the prior year.

PayByPhone

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase %
Transactions	'000	**22,404**	17,307	29.5
Transaction value	£000	**81,217**	66,949	21.3
Revenue	£000	**5,846**	4,751	23.0
Net revenue	£000	**4,081**	3,284	24.3

Transactions have increased 29%. PayByPhone continues to win key contracts with councils and parking authorities across the UK, North America and France as they provide a more convenient and cost effective method for collecting parking charges.

PayByPhone transaction values have increased by less than volume growth, with average transaction value down over the prior year as new clients' parking charges were lower than existing clients.

PayByPhone revenues have grown at a slower rate than transactions primarily as a result of a one off receipt in the prior year and reduced call centre income where, for some clients, call centre costs are recharged to the clients. We have reduced the number and length of calls made, leading to decreased costs. Further migration towards mobile web and mobile applications is expected to continue this trend.

Other

		53 weeks ended 31 March 2013	52 weeks ended 25 March 2012	Increase %
Transactions	'000	**-**	-	-
Transaction value	£000	**-**	-	-
Revenue	£000	**4,867**	3,498	39.1
Net revenue	£000	**4,867**	3,498	39.1

Other revenue includes the recharge of development costs and other fees and has risen predominantly due to an increase in fees charged to retailers for administrative services.

Network growth

Terminal sites overall have increased by 4% to 32,409.

In the UK and Ireland, sites have increased by 683, an increase of 3%. In 7,179 of these sites, we provide debit and credit card acceptance, increasing retailer capability to accept convenient contactless card transactions. During the period, 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 full functionality at lower cost. As well as enhancing our service to retailers, this frees terminals for use in Romania. In addition to these 2,225 PPoS solutions, there were 4,196 broadband enabled terminals.

In Romania, we increased the number of terminal sites by 609 in the period.

In our internet channel, we added over 737 new merchants during the period and the overall reduction in merchants, since 25 March 2012, is largely the result of the removal of low volume merchants.

We added Collect+ sites as transaction volumes increased and as retailers recognised the benefits of offering this service.

Analysis of sites	31 March 2013	25 March 2012	Increase/ (decrease) %
UK & Ireland terminal sites	**25,070**	24,387	2.8
Romania terminal sites	**7,339**	6,730	9.0
Total terminal sites	**32,409**	31,117	4.2
Internet merchants	**5,511**	5,670	(2.8)
Collect+ sites	**5,255**	4,721	11.3

FINANCIAL REVIEW

Income statement

Revenue for the period was 4% higher, at £209 million (2012: £200 million), from growth across the majority of services. Cost of sales reduced to £119 million (2012: £122 million). The cost of mobile top-ups in Ireland and Romania[1] has fallen to £32 million (2012: £38 million). Retailers' commission decreased to £69 million (2012: £70 million) as a result of lower mobile top-up commission. These reductions in cost were offset by higher depreciation (on increased capital expenditure) and the UK retail field force, where we increased headcount by 50% during the previous year. Gross profit margin improved to 43.0% (2012: 39.1%) mainly as a consequence of the reduction in the cost of sales.

Net revenue[2] of £106 million (2012: £90 million) was up 17% from the growth in energy prepayment, bill payment, Simple Payment service set up and management fees, The Health Lottery, retail services, internet payments and PayByPhone.

Operating costs (administrative expenses) increased 21% to £48 million (2012: £39 million) reflecting:

- step changes in the UK retail channel of the running costs arising from the separation from group and for the DWP's Simple Payment service
- the increasing cost of IT operations and development to support the necessary capacity to introduce new products and improve the efficiency of IT delivery; and
- continuing investment in our e&m commerce channel to support revenue growth in these fast moving markets.

We plan to continue the increase in expenditure for IT and e&m commerce in the current year.

Operating margin[3] fell to 38.8% (2012: 41.0%) as a consequence of higher operating costs.

Our share of the loss in developing Collect+ was £1.0 million (2012: £1.8 million). The integration of new merchants, heightened consumer awareness and improvements in service levels for peak trading all helped to drive up revenues which led to the decrease in the loss.

Profit before tax was £41.3 million (2012: £37.2 million), an increase of 10.9%. The tax charge of £10.3 million (2012: £10.3 million) represents an effective rate of 25.0% (2012: 27.6%). The reduction in the rate reflects the decrease in the UK corporate tax rate, the use of losses in Romania and relief for shares vesting in the period on which no deferred tax had been recognised. The reduction in UK corporation tax nominal rate to 23% became effective after the period end.

Statement of financial position

Net assets of £105.9 million (2012: £91.4 million) reflect a strong financial position, including cash of £46.6 million (2012: £35.5 million) and no debt.

Restatement of 2012 and 2011 consolidated statements of financial position

Following the conclusion of recent correspondence with the Financial Reporting Council's Conduct Committee (FRCCC), the directors concluded that the accounting policy in respect of client settlement amounts should be amended, together with a restatement of the comparative consolidated statements of financial position, to reflect the obligation to pay clients, which arises as soon as retailers collect cash from consumers, giving rise to a financial liability and a corresponding asset as set out in IAS 32.

The representation of these items has had no effect on the consolidated income, net assets, earnings per share or total cash flows as previously reported in the 2012 or 2011 annual reports.

Historically, the group has not recognised a receivable in respect of amounts collected by retail agents and correspondingly, has not recognised a liability for the associated amounts payable to the client. The rationale for not recognising these balances in the consolidated statement of financial position was that PayPoint acts as a disclosed agent in the transaction, transferring cash between the retail agents and clients. PayPoint does not bear credit risk for the majority of this cash flow, nor does the majority of the cash pass through accounts to which PayPoint has title.

Further details are included in note 1 to the financial statements.

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 costs include retail agent commission, merchant service charges for card payments and costs for the provision of call centres for PayByPhone clients. Net revenue is a measure which the directors believe assists with a better understanding of the underlying performance of the group.
3. Operating margin is calculated as operating profit, including our share of Collect+ losses as a percentage of net revenue.

Cash flow
Cash generated by operations was £50.7 million (2012: £43.3 million), reflecting strong conversion of profit to cash. Corporation tax of £10.6 million (2012: £10.4 million) was paid. Capital expenditure of £9.7 million (2012: £5.3 million) comprised expenditure on IT infrastructure, developments for new products, terminals, ATMs and prepaid energy card and key readers for PPoS (PayPoint Point of Sale, the software version of our terminal that can be loaded onto retail till systems). Net interest received was £0.3 million (2012: £0.2 million net expense). Equity dividends paid were £19.0 million (2012: £16.4 million). Cash and cash equivalents were £46.6 million (including client cash of £7.0 million) up from £35.5 million (including client cash of £5.1 million). We expect the usual outflow of cash in the first half of the current year to be exacerbated by increased capital spend, increased working capital and the special dividend.

Economic profit
PayPoint's economic profit (operating profit less tax and capital charge) was £24.0 million (2012: £20.4 million), an increase of 17%.

Dividend
We propose to pay a final dividend of 20.2p per share on 25 July 2013 (2012: 17.8p) to shareholders on the register on 28 June 2013 together with a special dividend of 15p per share, subject to the approval of the shareholders at the annual general meeting. An interim dividend of 10.2p (2012: 8.7p) was paid on 20 December 2012, making a total dividend for the period of 45.4p or excluding the special dividend, 30.4p (2012: 26.5p), up 15%, broadly in line with earnings.

Liquidity and going concern
The group has cash of £46.6 million (including client cash of £7.0m) and had, at the period end, an undrawn, unsecured loan facility of £35 million, which was agreed at the start of the previous financial year and has an unexpired term of three years. Cash and borrowing capacity is adequate to meet the foreseeable needs of the group, taking account of risks (pages 17 and 18). The financial statements have, therefore, been prepared on a going concern basis.

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 period, the group made charitable donations of £23,808 (2012: £23,075) 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.

During the period, 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.

Strategy, risks and corporate social responsibility
Details of the company's strategy are included in the Chief Executive's review on page 3. An analysis of risks facing the company is set out on pages 17 and 18.

Economic climate
The company's bill and general payments service, which accounts for 46% (2012: 40%) 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 will have a beneficial impact on our transaction volumes. The internet payment market continues to grow substantially. 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. PayByPhone is able to offer parking authorities a more cost effective collection system for parking compared to pay and display machines. This has led to an increase in the number of tenders being issued as parking authorities try to reduce their costs.

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 PayPoint.net, exposure is limited to receivables from merchants for fees, except in the case of bureau internet merchants, where PayPoint.net retains credit risk on merchant default for credit card charge backs, a risk mitigated in part by cash retention. In PayByPhone, exposure is limited to receivables from parking authorities.

Outlook
For the current financial year, trading is in line with the company's expectations. Our retail networks are strong and developing well. We intend to pursue further opportunities to grow the retail network, thereby increasing market share in bill payment and retail services, including ATMs, in the UK, Ireland and Romania. We expect continued progress in the internet and mobile payment channels. Together, our businesses provide a strong foundation to deliver value for our shareholders.

23 May 2013

RISKS

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 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 information 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 IT security infrastructure, including the significant use of data and communications encryption technology.
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 continually 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 it is planned to seek Payment Institution status for prefunded cash payments to consumers and to allow the internet business to act as a master merchant for SME online merchants. The group's agents which offer money transfer are licensed as Money Service Businesses by HMRC. Our internet and mobile phone distribution channels are 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 lawmakers, 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. 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 ongoing across all business areas, as well as personal and career development initiatives. The executive management reviews talent potential at quarterly meetings. Compensation and benefits programmes are competitive and also reviewed regularly.

Risk area	Potential impact	Mitigation strategies
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.
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 9% of the group's net revenue, and no single retailer accounts for more than 8% 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 in 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 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 focuses on the unpredictability of financial markets and 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	**53 weeks ended 31 March 2013 £000**	52 weeks ended 25 March 2012 £000
Continuing operations			
Revenue	2	**208,526**	200,029
Cost of sales		**(118,876)**	(121,778)
Gross profit		**89,650**	78,251
Administrative expenses		**(47,670)**	(39,385)
Operating profit		**41,980**	38,866
Share of loss of joint venture		**(965)**	(1,828)
Investment income		**314**	195
Finance costs		**(62)**	(32)
Profit before tax		**41,267**	37,201
Tax	3	**(10,316)**	(10,262)
Profit for the period	10	**30,951**	26,939
Attributable to:			
Equity holders of the parent		**30,979**	26,975
Non-controlling interests		**(28)**	(36)
		30,951	26,939
Earnings per share			
Basic	5	**45.7p**	39.8p
Diluted	5	**45.3p**	39.8p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**53 weeks ended 31 March 2013 £000**	52 weeks ended 25 March 2012 £000
Exchange differences on translation of foreign operations	10	**1,054**	(831)
Net income recognised directly in equity		**1,054**	(831)
Profit for the period		**30,951**	26,939
Total recognised income and expenses for the period		**32,005**	26,108
Attributable to:			
Equity holders of the parent		**32,033**	26,144
Non-controlling interests		**(28)**	(36)
		32,005	26,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2013 £000	25 March 2012 £000 (restated)*	27 March 2011 £000 (restated)*
Non-current assets				
Goodwill		**56,570**	56,076	57,133
Other intangible assets		**4,637**	2,304	1,329
Property, plant and equipment		**17,729**	15,212	14,520
Investment in joint venture	6	**43**	58	135
Deferred tax asset		**2,208**	901	1,116
Investments		**435**	435	435
		81,622	74,986	74,668
Current assets				
Inventories		**1,161**	1,284	915
Trade and other receivables	7	**198,803**	118,492	112,390
Cash and cash equivalents	8	**46,618**	35,487	26,464
		246,582	155,263	139,769
Total assets		**328,204**	230,249	214,437
Current liabilities				
Trade and other payables	9	**216,821**	133,699	128,283
Current tax liabilities		**5,339**	4,938	5,287
Obligations under finance leases		**-**	-	32
		222,160	138,637	133,602
Non-current liabilities				
Other liabilities		**169**	247	240
		169	247	240
Total liabilities		**222,329**	138,884	133,842
Net assets		**105,875**	91,365	80,595
Equity				
Share capital	10	**226**	226	226
Share premium	10	**297**	25	25
Investment in own shares	10	**-**	(216)	(216)
Share based payment reserve	10	**3,265**	3,138	3,005
Translation reserve	10	**694**	(360)	471
Retained earnings	10	**101,498**	88,629	77,125
Total equity attributable to equity holders of the parent company		**105,980**	91,442	80,636
Non-controlling interest		**(105)**	(77)	(41)
Total equity		**105,875**	91,365	80,595

*The 2012 and 2011 consolidated statements of financial position have been restated. Details of the restatement are explained in note 1, Accounting Policies – Restatement of 2012 and 2011 consolidated statements of financial position.

These financial statements were approved by the board of directors and authorised for issue on 23 May 2013 and signed on behalf of the board of directors.

Dominic Taylor
Chief Executive
23 May 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Investment in own shares £000	Share based payment reserve £000	Translation reserve £000	Retained earnings £000	Total equity attributable to equity holders of the parent company £000	Non-controlling interest £000	Total equity £000
Opening equity 28 March 2011		**226**	**25**	**(216)**	**3,005**	**471**	**77,125**	**80,636**	**(41)**	**80,595**
Profit for the period		-	-	-	-	-	26,975	26,975	(36)	26,939
Dividends paid	4	-	-	-	-	-	(16,450)	(16,450)	-	(16,450)
Exchange differences on translation of foreign operations	10	-	-	-	-	(831)	-	(831)	-	(831)
Movement in share based payment reserve	10	-	-	-	133	-	-	133	-	133
Adjustment on share scheme vesting	10	-	-	-	-	-	979	979	-	979
Closing equity 25 March 2012		**226**	**25**	**(216)**	**3,138**	**(360)**	**88,629**	**91,442**	**(77)**	**91,365**
Profit for the period		-	-	-	-	-	30,979	30,979	(28)	30,951
Dividends paid	4	-	-	-	-	-	(18,957)	(18,957)	-	(18,957)
Movement in investment in own shares	10	-	-	216	-	-	-	216	-	216
Exchange differences on translation of foreign operations	10	-	-	-	-	1,054	-	1,054	-	1,054
Movement in share based payment reserve	10	-	-	-	127	-	-	127	-	127
Share premium arising on issue of shares	10	-	272	-	-	-	-	272	-	272
Adjustment on share scheme vesting	10	-	-	-	-	-	(58)	(58)	-	(58)
Deferred tax on share based payments		-	-	-	-	-	905	905	-	905
Closing equity 31 March 2013		**226**	**297**	**-**	**3,265**	**694**	**101,498**	**105,980**	**(105)**	**105,875**

CONSOLIDATED CASH FLOW STATEMENT

	Note	**53 weeks ended 31 March 2013 £000**	52 weeks ended 25 March 2012 £000
Net cash flow from operating activities	12	**40,060**	32,868
Investing activities			
Investment income		**187**	-
Purchases of property, plant and equipment and technology		**(9,700)**	(5,263)
Proceeds from disposal of property, plant and equipment		**54**	20
Loan to joint venture	6	**(950)**	(1,750)
Net cash used in investing activities		**(10,409)**	(6,993)
Financing activities			
Repayments of obligations under finance leases		**-**	(32)
Dividends paid	4	**(18,957)**	(16,450)
Net cash used in financing activities		**(18,957)**	(16,482)
Net increase in cash and cash equivalents		**10,694**	9,393
Cash and cash equivalents at beginning of period		**35,487**	26,464
Effect of foreign exchange rate changes		**437**	(370)
Cash and cash equivalents at end of period		**46,618**	35,487

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.

Restatement of 2012 and 2011 consolidated statements of financial position
Following the conclusion of recent correspondence with the Financial Reporting Council's Conduct Committee (FRCCC), the directors concluded that the accounting policy in respect of client settlement amounts should be amended together with a restatement of the comparative consolidated statements of financial position, to reflect the obligation to pay clients, which arises as soon as retailers collect cash from consumers, giving rise to a financial liability and a corresponding asset as set out in IAS 32.

The representation of these items has had no effect on the consolidated income, net assets, earnings per share or total cash flows as previously reported in the 2012 or 2011 annual reports.

Historically, the group has not recognised a receivable in respect of amounts collected by retail agents and correspondingly, has not recognised a liability for the associated amounts payable to the client. The rationale for not recognising these balances in the consolidated statement of financial position was that PayPoint acts as a disclosed agent in the transaction, transferring cash, between the retail agents and clients. PayPoint does not bear credit risk for the majority of this cash flow, nor does the majority of the cash pass through accounts to which PayPoint has title.

The affected balances are as follows:

	Year ended 25 March 2012		Year ended 27 March 2011	
	Restated £000	As originally stated £000	Restated £000	As originally stated £000
Trade and other receivables	118,492	21,443	112,390	17,103
Trade and other payables	133,699	36,650	128,283	32,996

In addition, as the group is making a prior year re-statement, in accordance with IAS 1, the consolidated statement of financial position at 27 March 2011 is also being presented.

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 periods ended 31 March 2013 or 25 March 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the company's annual general meeting.

The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) 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 36 to 38 of the 2012 annual report and accounts. No subsequent material changes have been made to the group's accounting policies other than the disclosure above regarding restatement of 2012 and 2011 consolidated statements of financial position.

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. Segmental reporting, revenue, net revenue and cost of sales

(i) Segmental 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 PayByPhone clients.

Net revenue	**53 weeks ended 31 March 2013 £000**	52 weeks ended 25 March 2012 £000
Revenue – transaction processing	**207,437**	198,699
– service charge income from ATMs	**1,089**	1,330
	208,526	200,029
less:		
Commission payable to retail agents	**(69,099)**	(69,541)
Cost of mobile top-ups and SIM cards as principal	**(32,004)**	(38,579)
Card scheme sponsors' charges	**(1,766)**	(1,467)
Net revenue	**105,657**	90,442

Cost of sales

	53 weeks ended 31 March 2013 £000	52 weeks ended 25 March 2012 £000
Cost of sales		
Commission payable to retail agents	**69,099**	69,541
Cost of mobile top-ups and SIM cards as principal	**32,004**	38,579
Card scheme sponsors' charges	**1,766**	1,467
Depreciation and amortisation	**4,071**	3,333
Other	**11,936**	8,858
Total cost of sales	**118,876**	121,778

Geographical information

Revenue		
UK	**167,294**	153,734
Ireland	**14,880**	20,537
Romania	**24,288**	24,275
North America	**2,064**	1,483
Total	**208,526**	200,029

Non-current assets (excluding deferred tax)		
UK	**77,660**	71,864
Romania	**1,450**	1,766
North America	**304**	455
Total	**79,414**	74,085

3. Tax

	53 weeks ended 31 March 2013 £000	52 weeks ended 25 March 2012 £000
Current tax		
Charge for current period	**10,756**	10,270
Adjustment in respect of prior periods	**(38)**	(223)
Current tax charge	**10,718**	10,047
Deferred tax		
(Credit)/charge for current period	**(425)**	153
Adjustment in respect of prior periods	**23**	62
Deferred tax (credit)/charge	**(402)**	215
Total income tax		
Income tax charge	**10,316**	10,262

The income tax charge is based on the United Kingdom statutory rate of corporation tax for the period of 24% (2012: 26%)

The charge for the period can be reconciled to the profit before tax as set out in the consolidated income statement

Profit before tax	**41,267**	37,201
Tax at the UK corporation tax rate of 24% (2012: 26%)	**9,904**	9,672
Tax effects of:		
Losses in countries where the tax rate is different to the UK	**(110)**	(17)
Disallowable expenses	**307**	28
Utilisation of tax losses not previously recognised	**(117)**	-
Losses in companies where a deferred tax asset was not recognised	**523**	576
Adjustments in respect of prior years	**(15)**	(161)
Research and development allowance	**(133)**	(291)
Tax impact of share based payments	**(122)**	396
Revaluation of deferred tax asset from 25% to 23%	**79**	59
Actual amount of tax charge	**10,316**	10,262

4. Dividends on equity shares

	53 weeks ended 31 March 2013 £000	52 weeks ended 25 March 2012 £000
Equity dividends on ordinary shares:		
Interim dividend paid of 10.2p per share (2012: 8.7p)	**6,906**	5,885
Proposed final dividend of 20.2p per share (2012: paid 17.8p per share)	**13,728**	12,074
Proposed special dividend of 15.0p per share (2012: nil)	**10,182**	-
Total dividends paid and recommended of 45.4p per share (2012: 26.5p per share)	**30,816**	17,959
Amounts distributed to equity holders in the period:		
Final dividend for the prior year	**12,051**	10,565
Interim dividend for the current period	**6,906**	5,885
	18,957	16,450

The proposed final and special dividends are subject to approval by shareholders at the annual general meeting and have not been included as a liability in these financial statements.

5. Earnings per share

Basic earnings per share

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

	53 weeks ended 31 March 2013 £000	52 weeks ended 25 March 2012 £000
Profit for basic and diluted earnings per share is the net profit attributable to equity holders of the parent	**30,979**	26,975

	31 March 2013 Number of shares	25 March 2012 Number of shares
Weighted average number of ordinary shares in issue (for basic earnings per share)	**67,847,512**	**67,766,430**
Potential dilutive ordinary shares:		
Long-term incentive plan	**488,772**	**-**
Deferred share bonus	**82,787**	**-**
Diluted basis	68,419,071	**67,766,430**

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 2013 £000**	25 March 2012 £000
Total assets	**1,877**	1,223
Total liabilities	**(7,634)**	(6,015)
Share of net assets	**(5,757)**	(4,792)
Loan to joint venture	**5,800**	4,850
Investment in joint venture	**43**	58

PayPoint's share of aggregated amounts relating to joint ventures	**53 weeks ended 31 March 2013 £000**	52 weeks ended 25 March 2012 £000
Revenues	**8,876**	4,015
Loss for period	**(965)**	(1,828)

7. Trade and other receivables

	31 March 2013 £000	25 March 2012 £000 (restated)[3]	27 March 2011 £000 (restated)[3]
Trade receivables [1]	**21,111**	19,184	14,572
Allowance for doubtful debts	**(1,552)**	(1,331)	(1,850)
	19,559	17,853	12,722
Items in the course of collection [2]	**171,982**	97,049	95,287
Other receivables	**2,573**	743	1,024
Prepayments and accrued income	**4,689**	2,847	3,357
	198,803	118,492	112,390

1 The average credit period on the sale of goods is 32 days (2012: 34 days).

2 Items in the course of collection represent amounts collected for clients by retail agents, of which PayPoint bears credit risk and will have title to the cash collected on only £39,477,000 of this balance at 31 March 2013 (2012: £29,875,000). 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 £41,000 has been collected from retailers.

3 The 2012 and 2011 comparatives have been restated. Details of the restatement are explained in note 1, Accounting Policies – Restatement of 2011 and 2012 consolidated statements of financial position.

8. Cash and cash equivalents

Included within group cash and cash equivalents is £6,951,000 (2012: £5,073,000) relating to monies collected on behalf of clients where the group has title to the funds (client cash). An equivalent balance is included within trade payables (note 9).

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 2013, the group's cash was £46,618,000 (2012: £35,487,000).

9. Trade and other payables

	31 March 2013 £000	25 March 2012 £000 (restated)[4]	27 March 2011 £000 (restated)[4]
Amounts owed in respect of client cash[1]	**6,951**	5,073	6,132
Other trade payables [2]	**20,872**	17,034	14,891
Trade payables	**27,823**	22,107	21,023
Settlement payable [3]	**171,982**	97,049	95,287
Other taxes and social security	**1,999**	2,673	2,916
Other payables	**2,722**	1,574	1,405
Accruals	**9,593**	6,189	7,110
Deferred income	**2,702**	4,107	542
	216,821	133,699	128,283

1 Included within trade payables is £6,951,000 (2012: £5,073,000) 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 8).

2 The group aims to pay its creditors promptly, in accordance with terms agreed for payment. The group had 32 days purchases outstanding at 31 March 2013 (2012: 33 days) based on the average daily amount invoiced by suppliers during the period.

3 Payable in respect of amounts collected for clients by retail agents.

4 The 2012 and 2011 comparatives have been restated. Details of the restatement are explained in note 1, Accounting Policies – Restatement of 2011 and 2012 consolidated statements of financial position.

10. Equity

	2013 £000	2012 £000
Authorised share capital		
4,365,352,200 ordinary shares of 1/3p each (2012: 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		
67,880,234 ordinary shares of 1/3p each (2012: 67,815,819 ordinary shares of 1/3p each)	**226**	226
	226	226
Called up share capital		
At start of period	**226**	226
At end of period	**226**	226
Investment in own shares		
At start of period	**(216)**	(216)
Used on share scheme vesting	**216**	-
At end of period	**-**	(216)
Share premium		
At start of period	**25**	25
Arising on issue of shares	**272**	-
At end of period	**297**	25
Share based payment reserve		
At start of period	**3,138**	3,005
Additions in period	**1,332**	1,112
Released in period	**(1,205)**	(979)
At end of period	**3,265**	3,138
Translation reserve		
At start of period	**(360)**	471
Movement during period	**1,054**	(831)
At end of period	**694**	(360)
Retained earnings		
At start of period	**88,629**	77,125
Profit/(loss) for period	**30,951**	26,939
Non-controlling interest loss for period included in above	**28**	36
Dividends paid	**(18,957)**	(16,450)
Dividends received	**-**	-
Adjustment on share scheme vesting	**(58)**	979
Deferred tax on share based payments	**905**	-
At end of period	**101,498**	88,629

The long term incentive plan tranche partially vested on 4 June 2012. Under IFRS 2, the fair value charges of £952,000 relating to this tranche, that had been previously charged to the income statement, are reversed through equity. The deferred share bonus did not vest in June 2012 and accordingly the fair value charge of £242,000 was also released through equity.

11. Related party transactions

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

	53 weeks ended 31 March 2013 £000	52 weeks ended 25 March 2012 £000
Short term benefits and bonus [1]	**2,272**	2,234
Pension costs [2]	**161**	156
Long term incentives [3]	**529**	-
Total	**2,962**	2,390

1 Includes salary, fees, benefits in kind and annual bonus
2 Defined contribution pension scheme, of which two current directors are members. The remuneration committee has agreed that G Earle's pension contributions will be paid direct to him (grossed up for tax).
3 Long term incentives: includes the value of 2009 DSB and LTIP awards vested during the period (2012: 2008 DSB and LTIP awards)

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 period it has lent Drop and Collect Limited an additional £0.95 million, bringing the total loan to £5.80 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. These transactions are not considered to be significant.

PayPoint has a small investment in OB10, a company that specialises in electronic invoicing.

In the view of the directors, the aggregate cost of £435,000 represents the fair value of the investment in the shares.

David Newlands, Dominic Taylor, George Earle, Eric Anstee and Nick Wiles all hold shareholdings in OB10 as follows:

Directors' shareholding in OB10	31 March 2013 %	25 March 2012 %
David Newlands	2.87	2.87
Dominic Taylor	1.44	1.44
George Earle	0.40	0.40
Nick Wiles	1.02	1.02
Eric Anstee	0.08	0.08

12. Notes to the cash flow statement

	53 weeks ended 31 March 2013 £000	52 weeks ended 25 March 2012 £000
Profit/(loss) before tax	**41,267**	37,201
Adjustments for:		
Depreciation of property, plant and equipment	**3,891**	3,085
Amortisation of intangible assets	**180**	248
Share of losses in joint venture	**965**	1,828
Net interest income	**(252)**	(163)
Share based payment charge	**1,332**	1,112
Operating cash flows before movements in working capital	**47,383**	43,311
Decrease/(increase) in inventories	**123**	(369)
(Increase)/decrease in receivables	**(5,378)**	(4,545)
Increase/(decrease) in payables		
– client cash	**1,878**	(1,059)
– other payables	**6,662**	6,010
Cash generated by operations	**50,668**	43,348
Corporation tax paid	**(10,559)**	(10,448)
Bank charges paid	**(49)**	(32)
Net cash from operating activities	**40,060**	32,868

Movements in items in the course of collection (see note 7) and settlement payables (see note 9) have not been included in this reconciliation as the directors do not consider them to be operating working capital balances.

Trading history

	Period ended March								
	2005 £m	**2006 £m**	**2007 £m**	**2008 £m**	**2009 £m**	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**
Revenue	89.1	120.0	157.1	212.1	224.4	196.6	193.2	200.0	208.5
Net revenue	36.9	46.1	57.7	69.9	77.4	77.4	82.7	90.4	105.7
Profit before tax	**8.1**	**20.3**	**26.6**	**30.4**	**34.6**	**32.6**	**34.5**	**37.2**	**41.3**
Tax	2.2	3.4	7.9	9.4	10.8	10.5	10.6	10.3	10.3
Profit after tax	**5.8**	**16.9**	**18.7**	**21.0**	**23.8**	**22.1**	**23.8**	**26.9**	**31.0**
Earnings per share									
Basic	8.7p	25.0p	27.7p	31.1p	35.6p	32.9p	35.2p	39.8p	45.7p
Diluted	8.7p	24.7p	27.3p	30.8p	35.3p	32.7p	35.1p	39.8p	45.3p
Dividend per share (excluding special dividends)	5.2p	7.5p	9.1p	10.4p	11.6p	21.8p	23.4p	26.5p	30.4p

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 period ended 31 March 2013). All numbers quoted are reported under IFRS.

ABOUT PAYPOINT

PayPoint is a leading international service provider of convenient payments and value added services to major consumer service organisations in the utility, telecoms, media, financial services, transport, retail, gaming and public sectors. We handle over £14 billion from 739 million transactions annually for more than 6,000 clients and merchants. We deliver payments and services through a unique combination of local shops, internet and mobile distribution channels.

Retail networks
PayPoint operates branded retail networks in the UK, Ireland and Romania. The network in the UK numbers over 25,000 terminal sites in local shops (including Co-op, Spar, McColls, Costcutter, Sainsbury's Local, Tesco Express, One Stop, Asda, Londis and thousands of independent outlets) and is growing. Our terminals process energy meter prepayments, bill payments, mobile phone top-ups, transport tickets, BBC TV licences, cash withdrawals and a wide variety of other payments for most leading utilities and many telecoms and consumer service companies.

In Romania, the branded retail network numbers over 7,300 terminals located in local shops across the country and is expanding. Our terminals process cash bill payments for utilities, money transfers and mobile phone top-ups. In the Republic of Ireland, we have over 500 terminals in shops and Credit Unions processing mobile top-ups and bill payments.

We also supply added value services to our retail agents to improve the yield from our network. In the UK, we have a consumer parcel drop off and collection service using PayPoint's retail network through Collect+, a joint venture with Yodel. This service is available in over 5,250 of our convenience retail agents. Clients include Amazon, eBay, ASOS, New Look, Boden, John Lewis, House of Fraser, ASDA Direct and Very. In addition, in the UK, we have over 2,800 LINK branded ATMs, mainly located in the same sites as our terminals, and over 7,000 of our terminals provide debit and credit card acceptance for our retailers.

e&m commerce
PayPoint.net is an internet payment service provider, linking into 16 major acquiring banks in the UK, Europe and North America, delivering secure online credit and debit card payments for over 5,500 web merchants, including Stan James, Hungry House, Moonpig, WHSmith, Lovestruck, London and Zurich Insurance, Moneysupermarket.com and British Gas. We offer a comprehensive set of products ranging from a bureau service, in which we take the merchant credit risk and manage settlement for the merchants, to a transaction gateway. We offer real time reporting for merchant transactions and FraudGuard, an advanced service to mitigate the risk of fraud for card not present transactions. We are introducing real time transaction management and optimisation products for sale to our merchants.

PayByPhone is a leading international provider of services to parking authorities which enables consumers to use their mobile phones to pay for their parking by credit or debit card. It has contracts in the UK, Canada, USA, France and Australia.

PayPoint is widely recognised for its leadership in payment systems, smart technology and consumer service. Our high quality services are backed by a 24/7 operations centre with dual site processing for business continuity.

PayPoint maintains its competitive differentiation by serving a range of clients' needs, through a wide spectrum of payments, products and services that span different channels. For example, PayCash enables cash payment for internet transactions at PayPoint retail agents and our home vending solutions allow consumers to pay across the internet as well as through our retail network.